

DAILY REPORT

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PRC INTERNATIONAL AFFAIRS
GENERAL

A 1

XINHUA ON 'ARAFAT, GORBACHEV MEETING IN BERLIN

OW211942 Beijing XINHUA in English 1908 GMT 21 Apr 86

[Text] Cairo, April 21 (XINHUA) -- Chairman of the Palestine Liberation Organization (PLO) Yasir 'Arafat met Soviet leader Mikhail Gorbachev last Friday in Berlin, capital of the German Democratic Republic, a PLO official in Cairo told XINHUA today. Taib Abdu Rahim, [spelling of name as received] director of the PLO Cairo office, said the two sides discussed the latest developments in the Arab region, the Palestine problem and the international situation in general. They denounced U.S. policy of power politics which aims at suppressing the struggle of the Arab nation and the Palestine people. 'Arafat also held a three-hour discussion with Gorbachev's aids on the Mideast situation and the Palestinian problem in particular. According to Taib Rahim, relations between the PLO and the Soviet Union had been cool because of the Soviet Union's firm support to Syria which supports PLO's rival groups. But now their relations have improved. He hoped that the improvement would be in the interest of the Palestinian cause.

NONALIGNED FOREIGN MINISTERS ARRIVE IN LIBYA

OW210830 Beijing XINHUA in English 0805 GMT 21 Apr 86

[Text] Cairo, April, 21 (XINHUA) -- Foreign ministers of six non-aligned countries arrived in the Libyan capital of Tripoli Sunday to demonstrate their support of Libya after the U.S. raid last week. Libyan television reported that the non-aligned delegation met Libyan leader Mu'ammar al-Qadhafi Sunday evening, but gave no details of the meeting. One of the six non-aligned ministers, Indian Foreign Minister Bali Ram Bhagat, told reporters that the delegation wanted to show solidarity with Libya "at a time of its greatest crisis." The foreign ministers of Yugoslavia, Cuba, India, Ghana, Congo and Senegal will go to the United Nations after their one-day stay in Tripoli to present a non-aligned petition for a Security Council condemnation of the U.S. raid, which has claimed dozens of deaths and injuries.

Meanwhile, Libya has charged that the U.S. is intercepting commercial airliners headed for Tripoli's airport and said it filed a protest with the International Air Transport Association. Libyan Minister of Transportation and Communication Mubarak Shama [name and title as received] said that U.S. planes from the Sixth Fleet began Tuesday to turn back Libya-bound civilian flights in international airspace. A Libyan jet flying from Rome to Tripoli Friday was intercepted, and a Turkish plane was met by U.S. jets the following day and forced to return to Istanbul, he said. "This American action is terrorism carried out by the Reagan administration against international airspace," the minister said.

XINHUA ON TERRORISM, POWER POLITICS

OW220848 Beijing XINHUA in English 0828 GMT 22 Apr 86

[Text] Beijing, April 21 (XINHUA) -- (by Want Lianzhi) The large-scale U.S. air raid on Libya has stirred up a global wave of condemnation. Most of the world countries including American allies in West Europe expressed denunciation or disapproval of the operation as what was running counter to international norms. Massive anti-American demonstrations broke out in many countries.

The United States argued that the move was defensive, in that it was in retaliation against terrorist activities.

Now the question is: What is terrorism and who is responsible for the terrorism in the Middle East?

An American expert in terrorism defined the phenomenon as individual or collective resort to violence internationally for political purpose. Judging from this definition, terrorism in the Middle East has originated from none other than Israel backed by the United States and some other western nations.

Since its establishment as a state in 1948, Israel has been bent on an expansionist policy. It annexed the homeland of Palestine and encroached upon large tracts of Arab territory, forcing millions of Palestinians to take refuge in other countries. It is Israel which has hatched the biggest tragedy of the world today. In recent years, the Israelis have killed a large number of Palestinian refugees in Lebanon and even sent bombers to attack the Palestine Liberation Organization (PLO) headquarters in Tunis. Obviously, the Palestinian people and Arab countries are the poorest victims of aggressive expansionism and power politics in the Middle East over the past 30 years or more. Their struggle in all forms for recovering homeland and safeguarding national dignity is a just one, not at all terrorism.

All the U.S. administrations in the past three decades, in advancing the interests of their domestic politics and global strategy, always considered Israel as an unsinkable aircraft carrier at their service, leaving no stone unturned in supporting Tel Aviv's policy of war. It is precisely because of the U.S. support and connivance that Israel has all along refused to pull out from the occupied Arab lands, still less to enter into negotiation with the PLO. Instead, it has stepped up the suppression of the Palestinians and the Arabs. Hence, a no-peace and no-war situation has persisted there and disappointment and hostilities to the U.S. and Israel have fermented and increased. It is against this background that some radicals started to resort to extremist way to give vent to their resentment. In other words, it is power politics that has triggered off terrorism, which, in turn, has become an excuse for furthering power politics. This is a veritable vicious circle.

One point should be made clear, terrorism is not normal armed struggle. Blind adventures by a handful of people can never help realize a just cause but only besmear and hurt it. In addition, it will victimize innocent people to the indignation of the international community. In recent years, the heavy growth of international terrorism has caused great concern and uneasiness among the world people. In 1985 alone, over 600 people have died of explosion, assassination and kidnapping incidents. Some experts noted that the U.S. and Israel are the number-one targets and the majority of the terrorist activities took place in the Middle East and Western Europe.

In order to put an end to terrorism, it is necessary to remove its root cause. In the case of the Middle East, it is imperative to stop Israeli aggression and expansion against the Arab nation, solve the Palestine issue on the basis of justice, and find a formula for settling the protracting Arab-Israel dispute by peaceful means.

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PRC INTERNATIONAL AFFAIRS
UNITED STATES

B 1

XINHUA SEES WEST EUROPE-U.S. TIES AT NEW LOW

OW211903 Beijing XINHUA in English 1841 GMT 21 Apr 86

["News Analysis: W. Europe-U.S. Contradictions Deepen (by Xia Zhimian)" -- XINHUA headline]

[Text] Bonn, April 20 (XINHUA) -- The relations between the United States and Western Europe have sunk to a new low following U.S. attacks on Libya -- a development undenied by both Washington and its allies.

Most Western European countries see the U.S. military actions against Libya as having upgraded tensions in the Mediterranean, thus endangering their security. They complained that they were kept in the dark about the U.S. attacks, not being informed beforehand. A leading Social Democrat here had this to say: "Politically, its West European allies count very little in the eyes of the United States."

Washington, on its part, is irritated at its allies' "incooperative" attitude that has, among others, forced its warplanes to fly over the open sea, instead of over French territory, on their way to Libya.

The way things stand has led the press in Western Europe to raise a grim question: In case of a crisis, will the U.S.-W. European Alliance and the North Atlantic Treaty Organization (NATO) still have a role to play? The alliance, formed after World War II originally as a joint effort to counter the Soviet Union, has been used by the United States as a leverage in its rivalry with the Soviet Union for world hegemony. The West European nations, though aware of this, have had to comply because of their weaker military position. But with the passage of time, West European countries have come closer and grown in strength. As a result, the discrepancy of interests across the Atlantic surfaced and even volatiled into open clashes from time to time.

On security matters, Western Europe, while hoping the U.S.-W. European military alliance and the strategy of nuclear deterrent to stay as a counterbalance to the Soviet Union, does not want to be involved in the arms race for global hegemony between the United States and the Soviet Union. What the United States seeks is just the opposite. While making full use of Western Europe's force, it wants to detach itself in nuclear strategy, so that the U.S. proper can be saved from the holocaust in a regional nuclear war. This discrepancy of interests has found expression in a range of events in recent years.

In disarmament talks, for example, the United States is more concerned about strategic nuclear weapons threatening the U.S. proper, than about cuts in medium-range and conventional weapons. U.S. President Ronald Reagan is adamantly pushing ahead with his Strategic Defense Initiative (SDI), known as "star wars" program.

The plan, once realized, would shield the United States from nuclear attacks, but would also unhinge its nuclear defense from Western Europe's. Western European countries, on their part, have revived the long-dormant Western European Union, and intended to develop a small "star wars" program of its own. In the meantime, they have stepped up contacts with Eastern Europe, emphasizing the need for European countries to make direct contribution to disarmament and detente.

In foreign affairs, the United States seeks closer collaboration from Western Europe in its contention with the Soviet Union, but to no avail. A case in point is the U.S. intent to enlarge the competence of NATO to allow the use of its military force to intervene in the rest of the world. Difference of interests between the two parties has also surfaced on such issues as sanctions against Poland and boycott against the Moscow Olympic Games. On the Middle East issue, the United States wants to have the Soviet influence there eradicated, while West European countries aim to prevent any escalation of tensions there in order not to endanger their own security. The United States has resorted to force on several occasions, but Western Europe has managed to stay away for fear of involvement.

Economically, Europe has grown to become an opponent of the United States, unleasing "steel war," "car war," "orange war," one on the heels of the other. Lately, the wrangle over farm subsidies has hotted up, with both sides threatening with retaliatory measures. In the monetary field, Washington has followed a policy of three highs (of deficit, interest rate and exchange rate), to the bitterness of its West European allies. What adds to their bitterness over economic matters is the fact that the United States always goes its own way, leaving its allies faced with faits accomplis.

Nevertheless, given the Soviet military threats, the contradictions between the two sides will not develop to a point where their alliance would fall apart. But Western Europe's independent acts represent an irreversible trend: the world, after all, is no longer evolving around two poles. This certainly will give new contents to the Western Europe-U.S. alliance.

CRITICISM OF ROK SUPPRESSION OF SIGNATURE DRIVE

HK210933 Beijing RENMIN RIBAO in Chinese 19 Apr 86 p 7

[Correspondent's commentary by Liu Zhengxue: "South Korean Political Developments and Their Impact"]

[Text] Since February this year, the South Korean authorities and a nongovernmental force have been involved in a struggle centering on the campaign to collect signatures for the revision of the South Korean constitution. Since this struggle bears on South Korea's political stability, it has aroused people's concern.

This signature drive is jointly organized by the New Korea Democratic Party, which is not in office, and the Council for the Promotion of Democracy, which is a civilian organization. It is a systematic, well-organized anti-government "mass demonstration" whose objectives are to amend the "constitution" currently in force, to replace indirect presidential elections with direct balloting by popular vote, to rally support from half of South Korea's 20 million voters, and to force the present administration to step down. On 12 February, Yi Min-u, NKDP president, Kim Tae-chung, Kim Yong-sam, chairmen of the Council for the Promotion of Democracy, and more than 200 leaders of opposition parties and advocates of democracy, signed the "constitutional-amendment" petition. The more than a dozen universities in Seoul immediately formed a "Headquarters of the Constitutional Amendment Movement" aimed at democracy and national unification, in order to show their active support. The South Korean authorities immediately announced that this movement was illegal and, under various pretexts, arrested and put under house arrest leaders and members of the opposition parties and searched their offices. At the same time, policemen raided and searched 129 universities, seized students' propaganda material, and arrested more than 200 young students on charges of violation of the relevant laws.

The signature drive reached a climax in March. In Seoul, the NPDK established a "Seoul Branch of the Headquarters for Promoting Constitutional Amendment" and a central co-ordinating organ for the four parties and organizations striving for democracy. The constitutional amendment movement has spread to every corner of the country. In Pusan, Kwangju, and Taegu, at each rally marking the establishment of a branch, crowds of several hundred thousand gathered. When the rallies were over, they shouted the slogans "down with military despotism" and "amend the constitution, practice democracy" and fought bravely with the policemen who had arrived to make trouble. People from all walks of life and, in particular, members of religious organizations, have indicated their positions by signing the petition. The "South Korean Christian Council" formed by the six major protestant denominations issued a statement on 17 March, indicating its support for the movement and calling for direct balloting. Mun Yik-hwan, a protestant clergyman who has been under prolonged arrest by the South Korean authorities, called for an end to Chon Tu-hwan's despotic military rule. The South Korean Catholic Justice and Peace Committee issued a 9-point statement calling for freedom of speech and of the press, the democratization of central and local government, and an end to the use of force to suppress dissidents. The turn in the political situation in the Philippines has also greatly encouraged the democratic forces in South Korea.

In the face of increasing pressure, the South Korean authorities are both surprised and shocked. On the one hand, they stress that the political and economic situation is different from that in South Korea. On the other, they try to appease the parties not in office by: Approving the signature drive so long as the mass demonstrations are peaceful; stopping the arrest, or putting under house arrest of leaders of the parties not in office; releasing some arrested students; and initiating a dialogue with these parties.

President Chon Tu-hwan has repeatedly announced that he would discuss the "constitutional amendment" and the plan for "peaceful transfer of political power" in 1988, when his term of office comes to an end. However, he also announced that by then, the conventions according to which presidents will be elected will be proposed by the presidential candidate nominated by the party in office.

What merits our attention is that in order to stabilize the political situation, the South Korean authorities have resorted to psychological tactics and propaganda by saying that there would be a "southern drive" by the North before 1988. Thus, on the one hand, they expand their police and security forces and have proclaimed martial law. On the other hand, they appeal to the United States in the hope that they will get more military aid. In addition, they have reached an agreement with the United States on the "Team Spirit" joint military exercises to be conducted prior to 1988. This way of doing things cannot alleviate the contradictions between the government and the public but will have adverse effects on tension in the Korean peninsula and on the dialogue between North and South.

JAPANESE EXPERT AIDING TIANJIN HARBOR PROJECT

OW210822 Beijing XINHUA in English 0802 GMT 21 Apr 86

[Text] Tianjin, April 21 (XINHUA) -- Work began today on an expansion project in Tianjin Harbor, one of the biggest in China. The project involves the building of seven piled piers out over water for 10,000-ton ships to be loaded or unloaded by barges.

Proposed by Yukio Torii, director of the Kobe Harbor Bureau, Japan, and now chief advisor to the Tianjin Harbor Administration, the 48.75 million yuan project is designed to increase the present handling capacity of the harbor and solve the present serious ship delay problem.

According to the Japanese expert, more than 1.1 million tons of handling capacity will be added after the project is completed.

The project will be undertaken in two stages. The first stage of the project involves eight piers which can accommodate four 15,000-dwt ships and the annual handling capacity may reach 700,000 tons.

To match the project, six barge unloading docks will be built along the lower reaches of the Haihe River.

DENG XIAOPING PRAISES HONG KONG ENTREPRENEURS

Briefing in Beijing

OW191604 Beijing XINHUA Domestic Service in Chinese 0926 GMT 19 Apr 86

[By reporter Fan Songjiu]

[Text] Beijing, 19 Apr (XINHUA) -- Deng Xiaoping, chairman of the CPC Central Committee Advisory Commission, today praised some well-known Hong Kong personages who have made donations to help with education in China as having done something very good for the country and the people. The well-known Hong Kong personages who met Deng Xiaoping at the Great Hall of the People this morning included Yue-Kong Pao, Wong Kwan-Cheng, Henry Ying Tung Fok, and (Li Chao-chi).

Deng Xiaoping said: In order to attain the goal of the four modernizations, we need to solve the problem of a shortage of knowledge and qualified personnel. The training of qualified personnel is in the fundamental interest of the whole nation. He emphasized the need to respect knowledge and talented persons. He said: Qualified personnel cannot be trained overnight. We must rely on education to cultivate them and begin the training in their childhood. He pointed out: Compared with the developed nations, China does not lag behind in everything, but it does lag behind in many fields and must step up its efforts to catch up with others. Science and technology develop very rapidly in the world. Although we are poor, we still should make some investment in the scientific and technological fields. Some other countries have developed high-technology. We should also do something to develop certain fields of high-tech, and it won't do if we ignore it. Briefing the guests on the situation of reforms, Deng Xiaoping said: The general situation of reforms is good. The reforms are a product of several years of our careful consideration. For many years, we walked with heavy burdens on our shoulders. One of the burdens was the price subsidy, and another was that enterprises did not have the power of decision; nor did they have responsibilities. The reforms aim at removing the burden to enable us to march with light packs. We must carry out the reforms; otherwise, the burdens will sooner or later become too heavy to bear. The reforms will not succeed if we lack determination, or if we are unwilling to take risks.

Yue-Kong Pao said during the meeting: It is a great pleasure to be able to do something for the education and the future generations of the country. Present at the meeting were Li Peng, vice premier and minister in charge of the State Education Commission; He Dongchang, vice minister in charge of the State Education Commission; and Xu Jiatun, director of the Hong Kong Branch of the XINHUA News Agency. After the meeting, Li Peng gave a banquet for the guests at the Diaoyutai Guesthouse. Zhou Peiyuan, vice chairman of the CPPCC National Committee, attended the banquet.

Comments on Hong Kong's Future

OW211521 Beijing XINHUA in English 1514 GMT 21 Apr 86

[Text] Beijing, April 21 (XINHUA) -- China will adhere to socialism, but will not force it on Hong Kong, senior Chinese leader Deng Xiaoping said here tonight. Deng, chairman of the Communist Party's Central Advisory Commission, was speaking at a meeting with Yue-Kong Pao, chairman of the Hong Kong Worldwide Shipping Group, at Beijing's Diaoyutai State Guesthouse. He said the Chinese Government would keep its word in carrying out the concept of "one country -- two systems". Hong Kong need not worry about this. Yue-Kong Pao, also vice-chairman of the Hong Kong Basic Law Drafting Committee, is currently attending the committee's second plenary session here. He told Deng that drafting work was proceeding enthusiastically. State Councillor Gu Mu was present at tonight's meeting.

JI PENGFEI REAFFIRMS POLICIES ON HONG KONG

OW180914 Beijing XINHUA in English 0858 GMT 18 Apr 86

[Text] Beijing, April 18 (XINHUA) -- Ji Pengfei, chairman of the drafting committee for the Basic Law of the Hong Kong Special Administrative Region, pointed out today that the Chinese Government will not change its policies on Hong Kong, as they are China's established national policies. He was speaking at the second plenary session of the Hong Kong Basic Law Drafting Committee, which opened here this morning.

He listed these general and specific policies as a pledge not to practice socialist system and policies in Hong Kong, allowing Hong Kong to maintain its existing capitalist system and way of life for 50 years, and putting Hong Kong directly under the jurisdiction of the central government, and allowing it to enjoy a high degree of autonomy. Also included are: The Hong Kong Special Administrative Region Government and its legislative body will be formed by local people. The region will enjoy executive, legislative, and independent judicial power, including that of final adjudication. The democratic rights and right of freedom will be guaranteed for the local residents in accordance with the law.

Ji urged all the committee members to go by these principles in their work, in order to embody the "one country, two systems" concept in the basic law comprehensively and precisely. He added the basic law must preserve China's sovereignty and maintain Hong Kong's stability and prosperity. He stated the committee must draw up the law in the light of Hong Kong's actual conditions, rather than to copy from the practices in inland China. Nor should foreign countries be imitated, as Hong Kong is a part of China and not an independent country, he emphasized. According to the committee's plan, the Basic Law (draft) will be ready in early 1988.

Reviewing the Hong Kong's situation since the committee's first session last June, Ji said "conditions in Hong Kong are quite good in various aspects. People there now have a greater confidence in the future of Hong Kong." Progress also has been made in the work of the Sino-British Joint Liaison Group and the Sino-British Land Commission, he noted. He stated people in all walks of life in Hong Kong have paid great attention to the drafting work of the basic law and also raised many beneficial and constructive suggestions. Thus the committee will be more confident of fulfilling its task.

ZHAO ZIYANG ASKS YUE-KONG PAO TO ADVISE NINGBO

OW172053 Beijing XINHUA in English 1458 GMT 17 Apr 86

[Text] Beijing, April 17 (XINHUA) -- Chinese Premier Zhao Ziyang today invited Chairman of the Hong Kong Worldwide Shipping Group, Sir Yue-Kong Pao, to be advisor to the co-ordinating group for the economic development of the east China coastal city of Ningbo. The coordinating group is an office under the State Council. Handing the letter of invitation to Pao in Zhongnanhai this afternoon, Zhao said marked progress has been made in Ningbo, which has a comparatively good industrial and agricultural foundation. "Quite a few key projects will be undertaken in Ningbo during the period of the Seventh Five-Year Plan (1986-90)," he said. "There are bright prospects for this city."

Pao said he would make efforts to work for the development of Ningbo, his hometown. "Attention should be paid particularly to the role of the city's Beilun Port," he told Zhao.

State Councillor Gu Mu said that in addition to the port Ningbo has many other favorable conditions for its development. Noting that there are many Ningbo people residing overseas, Zhao said their enthusiasm for the development of their hometown should be brought into full play.

Earlier this afternoon, Chinese Vice-Premier Yao Yilin discussed the international economic situation with Pao.

LI, ZHAO JOINT GREETINGS TO DK LEADERS

BK180953 Beijing in Cambodian to Cambodia 1030 GMT 16 Apr 86

[16 April greetings message from President Li Xiannian and Premier Zhao Ziyang to DK President Samdech Norodom Sihanouk, CGDK Prime Minister Son Sann, and DK Vice President Khieu Samphan, on 11th founding anniversary of Democratic Kampuchea]

[Text] On the occasion of the 11th founding anniversary of Democratic Kampuchea, on behalf of the Chinese Government and people and in our own names, we wish to extend warmest greetings to you and the CGDK and, through you, to the heroic Cambodian people.

The Vietnamese authorities have committed armed aggression against and have occupied Cambodia for more than 7 years now. This aggression has brought grave destruction to the Cambodian nation and people and posed a serious threat to peace and security in Southeast Asia and the Asia Pacific region. The majority of countries and peoples in the world, which cherish peace and justice, have firmly opposed this aggression. During the past years, under the leadership of the CGDK headed by Samdech Norodom Sihanouk, the Cambodian people and patriotic armed forces have nurtured great indignation against the enemies and launched a fierce and valiant struggle against them, thus defeating successively the enemies' military operations and frustrating their political maneuvers one after another. This has greatly contributed to seizing independence for Cambodia and safeguarding peace in this region and elsewhere in the world. This struggle has enjoyed broad sympathy in and support from the world community. We have noted with great joy that the situation in Cambodia is developing more favorably to the Cambodian people's struggle against the Vietnamese aggressors. Recently, the CGDK Cabinet meeting set forth an 8-point proposal for a political settlement of the Cambodian problem. This is an event of historic significance. This reasonable idea of the CGDK clearly shows that the CGDK is willing to solve the Cambodian problem through peaceful means. This idea has been welcomed internationally.

The two countries -- China and Cambodia -- and their peoples have a tradition of friendship with each other. The Chinese Government and people, together with the ASEAN countries and the justice-loving countries in the world community, have firmly supported the Cambodian people's struggle against the Vietnamese aggressors for their national salvation and firmly supported the CGDK's efforts for a reasonable settlement of the Cambodian problem.

We are firmly convinced that in the Cambodian people's just struggle against the Vietnamese aggressors and for realizing Cambodia's independence, peace, neutrality, and nonalignment as well as friendship between the peoples of China and Cambodia will further strengthen and develop.

[Signed] Li Xiannian, president of the PRC
[Signed] Zhao Ziyang, premier of the PRC State Council

[Dated] Beijing, 16 April 1986

State Councillor Gu Mu said that in addition to the port Ningbo has many other favorable conditions for its development. Noting that there are many Ningbo people residing overseas, Zhao said their enthusiasm for the development of their hometown should be brought into full play.

Earlier this afternoon, Chinese Vice-Premier Yao Yilin discussed the international economic situation with Pao.

LI, ZHAO JOINT GREETINGS TO DK LEADERS

BK180953 Beijing in Cambodian to Cambodia 1030 GMT 16 Apr 86

[16 April greetings message from President Li Xiannian and Premier Zhao Ziyang to DK President Samdech Norodom Sihanouk, CGDK Prime Minister Son Sann, and DK Vice President Khieu Samphan, on 11th founding anniversary of Democratic Kampuchea]

[Text] On the occasion of the 11th founding anniversary of Democratic Kampuchea, on behalf of the Chinese Government and people and in our own names, we wish to extend warmest greetings to you and the CGDK and, through you, to the heroic Cambodian people.

The Vietnamese authorities have committed armed aggression against and have occupied Cambodia for more than 7 years now. This aggression has brought grave destruction to the Cambodian nation and people and posed a serious threat to peace and security in Southeast Asia and the Asia Pacific region. The majority of countries and peoples in the world, which cherish peace and justice, have firmly opposed this aggression. During the past years, under the leadership of the CGDK headed by Samdech Norodom Sihanouk, the Cambodian people and patriotic armed forces have nurtured great indignation against the enemies and launched a fierce and valiant struggle against them, thus defeating successively the enemies' military operations and frustrating their political maneuvers one after another. This has greatly contributed to seizing independence for Cambodia and safeguarding peace in this region and elsewhere in the world. This struggle has enjoyed broad sympathy in and support from the world community. We have noted with great joy that the situation in Cambodia is developing more favorably to the Cambodian people's struggle against the Vietnamese aggressors. Recently, the CGDK Cabinet meeting set forth an 8-point proposal for a political settlement of the Cambodian problem. This is an event of historic significance. This reasonable idea of the CGDK clearly shows that the CGDK is willing to solve the Cambodian problem through peaceful means. This idea has been welcomed internationally.

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[Signed] Li Xiannian, president of the PRC
[Signed] Zhao Ziyang, premier of the PRC State Council

[Dated] Beijing, 16 April 1986

BEIJING RECEPTION MARKS CAMBODIAN NATIONAL DAY

OW162351 Beijing XINHUA in English 1912 GMT 16 Apr 86

[Text] Beijing, April 16 (XINHUA) -- A reception to celebrate the 11th anniversary of the national day of Democratic Kampuchea was held here this evening. It was jointly sponsored by the Chinese People's Association for Friendship with Foreign Countries and the China-Kampuchea Friendship Association.

In his speech, President Zhang Wenjin of the host association extended his congratulations on the victory won by the Kampuchean people and the patriotic armed forces of Kampuchea, under the leadership of the Democratic Kampuchean Coalition Government headed by Samdech Norodom Sihanouk, in the struggle against the Vietnamese aggressors. He said the Chinese people resolutely supported the eight-point proposal raised by the Coalition Government of Democratic Kampuchea last March, as it "is of historical significance and is reasonable." He expressed his belief that the Kampuchean people would win worldwide sympathy and support, and would surely be victorious in realizing the country's independence, peace and neutrality.

In his speech, Ambassador Chan Youran of Democratic Kampuchea to China paid high tribute to the friendship between the Kampuchean and Chinese peoples, adding it was of great significance for the Kampuchean people's struggle against Vietnam and for the independence of his country. He said that the Kampuchean people had won remarkable victories with the continuing support of the peace-loving countries in the world, including the Association of Southeast Asian Nations and with the leadership of the Coalition Government of Democratic Kampuchea, headed by Sihanouk. He pointed out that now Vietnam not only found itself in military trouble, but had also landed itself in an isolated political position, as it had refused the Kampuchean proposal.

COMMENTARY ON MAUNG MAUNG KHA'S 'SUCCESSFUL' VISIT

BK190941 Beijing International Service in Burmese 1130 GMT 18 Apr 86

[Station Commentary: "A Successful Visit"]

[Text] After successfully concluding an official good-will visit to China, Prime Minister U Maung Maung Kha of the Socialist Republic of the Union of Burma today left Shenzhen carrying with him the love the Chinese people hold for the Burmese people. This successful trip to China by Prime Minister U Maung Maung Kha will make new contributions to Sino-Burmese friendly relations. Prime Minister's U Maung Maung Kha's visit to China coincided with Thingyan [water festival] and the talks between the leaders of the two countries were held in a happy and festive atmosphere.

Prime Minister U Maung Maung Kha and the Chinese leaders discussed very important matters during their friendly talks which promoted mutual friendship and understanding. The two sides have similar or identical views on major international issues. The leaders of the two countries reiterated that the five principles of peaceful coexistence form the basic norm for international relations. The two sides sincerely expressed their desire to give fresh impetus to Sino-Burmese friendship.

In recent years, China has been practicing an open-door policy and expanding economic and technical exchange and cooperation with foreign countries. Being developing countries, both China and Burma have a common historical duty to accelerate their countries' development. China attaches great importance to the expansion of economic and technical cooperation with Burma, which is a friendly neighbor.

There are many fields in which China and Burma can cooperate for mutual benefit. The two countries can contribute to their economic development and improve their people's living standard by helping each other and making up each other's deficiencies in the course of their cooperation.

Peace and development are two issues confronting the world today. Safeguarding peace cannot be separated from economic development and prosperity. There can be economic development only when there is peace in the world.

China is practicing a peace-oriented independent foreign policy. The Chinese people, together with the people of the world, including the Burmese people, will continue to strive for safeguarding world peace.

Sino-Burmese relations have been smooth and good all along. It is an intimate "paukphaw" [kindred] friendship. We believe that Prime Minister U Maung Maung Kha's visit and our mutual endeavors will further promote bilateral friendly cooperation on the political, economic, and cultural fronts, bring benefits to the peoples of the two countries, and contribute to peace and stability in Asia and peace and stability in the world.

PHILIPPINES TO EMPHASIZE TIES WITH ASEAN

OW210752 Beijing XINHUA in English 0733 GMT 21 Apr 86

[Text] Manila, April 21 (XINHUA) -- Vice-President and Foreign Minister Salvador Laurel emphasized that the new government headed by President Corazon Aquino is determined to strengthen its relations with the ASEAN member countries, according to an interview published today.

In an exclusive interview with the Philippine "BUSINESS DAY" on the government main thrusts of foreign policy, Laurel said the Philippines will make no enemy if it can make a friend -- "that is the basic thrust of our foreign policy."

The Philippines will give special emphasis on the relations with the ASEAN which were somewhat strained under the Marcos Government, he said. Besides the Philippines, the Association of Southeast Asian Nations also groups Thailand, Malaysia, Singapore, Indonesia and Brunei. "I intend to make our relationship with ASEAN countries as close as possible and to be actively involved in the ASEAN," he added.

Another special thrust, he said, is the improvement in trade relations with other countries. The balance of trade where it is not favorable to the Philippines will have to be corrected, he stressed. Laurel expressed his welcome to foreign investment. However, "those would only supplement and not supplant Filipino capital and entrepreneurs," he noted.

COMMENTARY VIEWS PHILIPPINE-U.S. RELATIONS

HK170823 Hong Kong ZHONGGUO TONGXU SHE in Chinese 1213 GMT 15 Apr 86

["Short" commentary by staff reporters Zhang Suifeng and Xu Shaoling: "Changes in Philippine-U.S. Relations Under the Corazon Aquino Administration"]

[Text] Manila, 15 Apr (ZHONGGUO TONGXUN SHE) -- On 14 April, in his first foreign policy speech since he took office, Philippine Vice President and Foreign Minister Salvador Laurel said that although subject to the restrictions of the Philippine-U.S. Military Agreement, the new Manila government will follow a "genuinely independent foreign policy."

Earlier, when visiting Manila on 7 April, U.S. Defense Secretary Caspar Weinberger met anti-American demonstrators outside the gate of the Philippine presidential palace. A small number of demonstrators held signs with various slogans reading "Weinberger Go Home," "Stop U.S. Interference in the Philippines," and so on. Philippine-U.S. relations were fairly close during the Marcos regime. Will there be any changes in the policy of the new Corazon Aquino Government, which came to power through the "February revolution," toward the United States? People naturally are concerned about this. According to Manila sources familiar with the Philippine political conditions, the Philippine political situation became unstable after Benigno Aquino was assassinated at Manila airport in 1983. This, coupled with the effects of a global economic recession and a languishing domestic economy, generated a stronger desire for change among the people. The United States was worried that the situation was worsening in the Philippines. However, both the United States and Marcos himself misjudged the strength of the opposition party. The United States had no alternative but to "change horses" at the last moment by supporting Corazon Aquino to prevent the Philippines from being thrown into turmoil.

It can be said that Corazon Aquino came to power primarily with the support of "people power." Psychologically, at least, she did not think she was much indebted to the United States. It is noticed that her cabinet bears fairly strong nationalist feelings and that, in dealing with domestic and foreign affairs, it has adopted a more independent posture and kept the United States at a distance. Although the United States failed to curry favor with either side in the general election, it still maintains a good relationship with the new government. Both the United States and the Philippines have identical objectives in stabilizing the Philippine situation. For this reason, the United States still plays an important role in Philippine affairs.

In her meeting with Weinberger after the political situation had initially stabilized, Corazon Aquino primarily talked about the question of increased economic aid. Weinberger stressed, however, that "some" military aid (used primarily for dealing with the Communist Party of the Philippines) is "also very important."

The methods used by the new Philippine Government in dealing with the Communist Party of the Philippines and the futures of the U.S. military bases have obviously failed to satisfy the United States. During his 18-hour visit to the Philippines, besides discussing economic aid with Aquino, Weinberger also reportedly studied the "terms of agreements on the question of the Communist Party of the Philippines. The crowd demonstrating outside the presidential palace in Manila, however, were opposed to U.S. interference in Philippine internal affairs, such as the questions of the Communist Party of the Philippines and the military bases, and called on the United States "not to bring war to the Philippines."

In the eyes of the Philippine people, the Aquino Government has a more pronounced nationalist color than the previous Philippine Government. They hope that the new government will be able to lead the country toward genuine national independence, not only in foreign affairs but also in political, economic, and other fields. Naturally, in order to thoroughly shake off the influence of foreign powers and to stand independently in the family of nations, the Philippines still has a long and laborious way to go.

QIAN QICHEN LEAVES FOR BANGKOK ESCAP MEETING

OW210644 Beijing XINHUA in English 0635 GMT 21 Apr 86

[Text] Beijing, April 21 (XINHUA) -- Vice Foreign Minister Qian Qichen left here for Bangkok, Thailand, today to attend the 42nd annual meeting of the Economic and Social Commission for Asia and the Pacific (ESCAP). He is the head of the Chinese delegation to the meeting.

PAKISTAN PRESIDENT SATISFIED WITH PRC TIES

OW220414 Beijing XINHUA in English 0229 GMT 22 Apr 86

[Text] Islamabad, April 21 (XINHUA) -- President Mohammad Ziaul Haq expressed satisfaction here today over the development of economic relations between Pakistan and China.

When meeting Chinese Deputy Minister of Machine Building Industry Zhao Mingsheng, Zia said that with the assistance from China, a foundation for developing heavy industry has been laid down in Pakistan. He expressed the hope for expansion of the existing economic cooperation between the two countries.

Prime Minister Mohammad Khan Junejo in a separate meeting with the Chinese guests said that the Pak-Chinese friendship exists not only between the two governments but also between the two peoples.

A seven-member Chinese delegation led by Zhao Mingsheng arrived in Pakistan on April 17 on a 12-day visit to the country. During their stay in Pakistan, the delegation attended the foundation stone-laying ceremony of the heavy electrical complex being built in cooperation with China in Haripur, north west frontier province, on April 20. The delegation is scheduled to attend on April 26 the inauguration of the Guddu power plant built in cooperation with China in Sind province.

INDIA BUYS MORE SPOT-MARKET OIL, LESS FROM USSR

OW211304 Beijing XINHUA in English 1255 GMT 21 Apr 86

[Text] New Delhi, April 21 (XINHUA) -- India will import a total of 14.6 million tons of crude oil during the current financial year as against 14.2 million tons last year, local press reported today. Of this total, about 5.5 million tons are expected to be purchased from international spot markets and about 9 million tons through term contracts on country-to-country basis.

Following the recent steep drop of oil prices in international market, New Delhi decided late last month that it would go in for spot purchase of crude oil instead of a renewal of contractual purchase at higher prices from Moscow.

Of the 9 million tons of crude oil to be imported on country-to-country basis this year, 3 to 3.5 million tons would be imported from the Soviet Union, one of India's largest oil supplier for years, 2 million tons from Iraq, nearly 2.5 millions tons from Saudi Arabia, one million tons from Iran and 0.5 million tons from the United Arab Emirates.

According to the reports, the negotiations with "the traditional suppliers" of crude to this country "are in final stages" and agreements on the prices and quantum of crude imports from the suppliers are likely to be signed early next month.

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PRC INTERNATIONAL AFFAIRS
WESTERN EUROPE

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QIAO SHI AT ITALIAN COMMUNIST PARTY CONGRESS

Hosts Reception

OW180746 Beijing XINHUA in English 0716 GMT 18 Apr 86

[Text] Rome, April 17 (XINHUA) -- Politburo member Qiao Shi, head of a Chinese Communist Party delegation, gave a reception at the Chinese embassy here today to thank the Italian Communist Party for its hospitality.

The Chinese delegation attended the 17th National Congress of the Italian Communist Party, which was held in Florence April 9 to 17. The Chinese group arrived in Italy April 7.

Italian Communist Party leaders who attended the reception included Giancarlo Pejetta, Paolo Bufalini, Gavino Angius and Antonio Rubbi. The hosts and guests agreed they are satisfied with the friendly relations between the two parties, that the ties will be developed further. Chinese ambassador Du Gong also attended the reception.

Leaves Italy for PRC

OW182149 Beijing XINHUA in English 1858 GMT 18 Apr 86

[Text] Rome, April 18 (XINHUA) -- The delegation of the Chinese Communist Party headed by Qiao Shi, member of its Political Bureau and Secretariat, left here for home today. The delegation headed by Qiao, who is also a newly-appointed vice premier, had been here attending the 17th National Congress of the Italian Communist Party and visiting San Marino at the invitation of the its Communist Party. Seeing the delegation off at the airport were Alfredo Reichlin, member of the Secretariat of the Italian Communist Party, Antonio Rubbi, head of its external Liaison Department, and Du Gong, Chinese ambassador to Italy. The Chinese delegation arrived here on April 7.

Stopover in Bonn

OW190314 Beijing XINHUA in English 0257 GMT 19 Apr 86

[Text] Bonn, April 18 (XINHUA) -- Federal Germany's Vice-Chancellor Hans-Dietrich Genscher and Chinese Vice Premier Qiao Shi agreed at a meeting today their countries want to strengthen relations and cooperation here this afternoon. Also attending the meeting were Li Shuzheng, deputy head of the International Liaison Department of the Central Committee of the Communist Party of China (CPC), and Guo Fengmin, Chinese ambassador to Federal Germany.

Qiao, also a member of the Political Bureau and Secretariat of the CPC, stopped over in Bonn on his way home after attending the 17th National Congress of the Italian Communist Party.

Arrives in Beijing

OW200720 Beijing XINHUA in English 0701 GMT 20 Apr 86

[Text] Beijing, April 20 (XINHUA) -- A delegation of the Chinese Communist Party led by member of the Political Bureau of its Central Committee Qiao Shi returned here today after attending the 17th National Congress of the Italian Communist Party.

The delegation was greeted by Tian Jiyun, member of the Political Bureau, and Zhu Liang, head of the International Liaison Department, of the CPC Central Committee.

RENMIN RIBAO ON ANTIRACIST TREND IN SOUTH AFRICA

HK211229 Beijing RENMIN RIBAO in Chinese 15 Apr 86 p 6

["Random Notes" by Li Wenzheng: "An Unexpected Gravedigger"]

[Text] A court in South Africa sentenced a young white man, Alike Peiersai, to 7 years imprisonment on the charge of "participating with the black guerrilla forces in fighting the government." It is said that Peiersai is "the first white man to participate in the outlawed African National Congress of South Africa in the past 20 years." In the eyes of the South Africa authorities, white youths should be a pillar of the racist regime. So, while using bloody means to suppress the black masses, the South African regime also spares no effort to inculcate racist ideas in the younger generation of white people in the hope of training them into successors of the racist system. However, when he was conscripted into the government army, Peiersai went to join the guerrilla forces led by the African National Congress without hesitation. He solemnly declared in court: "I do not want to become a defender of an unjust cause which some people try to make permanent.... I am not willing to join an army which is illegally occupying Namibia and disrupting the stability of neighboring countries." He used his action to express his contempt for the racist system of South Africa.

In recent years, more and more white people in South Africa have joined forces with black people in fighting against racism in their country. Many white people who the South African authorities took pains to try to train to succeed to the racist system have become gravediggers for this evil system. This may be beyond the expectations of the South African regime, and it also shows how unpopular the evil regime has become. The young people of the same age as Peiersai are growing up against a bloody background of the South African regime suppressing black people. From the Sharpeville incident and the Soweto incident in the 1960's to the recent "state of emergency," the South African regime has used bayonets and armored cars to suppress black people; and black people have shed much blood and tears in their resistance. Numerous facts have made the younger generation of white people realize the ugly features of the racist system and have aroused their feelings of upholding justice to oppose racism. They have lost confidence in the South African authorities. The firm voice of Peiersai in court shows that more and more white people have begun to think and are seeking the real way out for their country.

At present, under the rule of the racist regime, social unrest is continuing in South Africa and most people there are living in dire poverty. The social productive forces have been seriously destroyed. The masses of black people are rising to fight against the apartheid system which has deeply tortured them, and more and more white people have also taken part in the struggle against apartheid. If the South African authorities continue to stick to the brutal racist system, then more and more young people like Peiersai will appear on the battleground to fight against the apartheid system. This may go beyond the original expectations of the racist regime.

QADDUMI PLO DELEGATION ARRIVES IN BEIJING

OW191224 Beijing XINHUA in English 1211 GMT 19 Apr 86

[Text] Beijing, April 19 (XINHUA) -- A delegation from the Palestine Liberation Organization led by a member of its executive committee and head of its political department Faruq Qaddumi flew into here this afternoon for a friendship visit to China at the invitation of the Chinese Foreign Ministry. The delegation was greeted at the airport by Qi Huaiyuan, Chinese vice-minister of foreign affairs, Yusuf Rajib Radhi, head of the PLO mission in Beijing, diplomatic envoys or officials of Arab countries. The PLO guests will leave here this evening for a tour of Shanghai and Nanjing.

HU GILI CONDUCTS INSPECTION IN SHANGHAI

OW211051 Beijing XINHUA Domestic Service in Chinese 1613 GMT 20 Apr 86

[By reporter Chen Maodi]

[Text] Shanghai, 20 Apr (XINHUA) -- During his inspection and working visit to Shanghai from 14 to 19 April, Hu Qili, member of the Political Bureau and member of the Secretariat of the CPC Central Committee, went deep among plants, schools, and scientific research units to carry out investigation and study and hold meetings with some comrades from literary and art, theoretical, and scientific and technological circles in Shanghai. He listened attentively to their views and proposals on issues of further deepening the reform of the economic, educational, and scientific, and technological structure; strengthening socialist spiritual civilization; making socialist literary and art creation prosper; improving ideological and political work; and speeding up the training and cultivation of talented personnel.

Comrade Hu Qili said: Only by regularly visiting, observing, and listening to lower-level units to learn about their actual working conditions and by listening to the views, demands, and voices of the masses can we, comrades affiliated with the central authorities, work correctly and make correct decisions.

At the forum with personages from Shanghai's literary and art, film, and television circles, Comrade Hu Qili engaged in full and enthusiastic discussions with comrades participating in the forum on issues of how to further implement the party's literary and art policy and the principle of "letting a hundred flowers blossom and a hundred schools of thought contend", and how to make literary and art, film, and television creation prosper. Comradt Hu Qili said: Living in this great era, literary and art workers shoulder the lofty mission of stimulating and inspiring the people throughout the country to contribute to the "four modernizations" and revitalize China. It is hoped that everyone will go deep into the thick of life; base himself on and take root in Chinese soil; absorb the beneficial experiences of ancient and modern times of China and of foreign countries; grasp the whole situation; and boldly create works which fully reflect our great transformation. Spiritual civilization, like material civilization, is a process of gradually accumulating experience and enhancing understanding through practice. The party and state will continue to provide literary and art workers with fine conditions for creating works, and to create an atmosphere of harmony in order to provide suitable soil and nourishment for the creation of works which reflect the spirit of the age and the style of the nation and enjoy the appreciation of more and more people.

At a forum with social scientific circles in Shanghai, Comrade Hu Qili stressed: Our country's reform and four modernizations need social science; and social science must be oriented toward reform and the four modernizations. He said: The reform of our country's economic structure has not only brought unprecedented economic prosperity but, more importantly, ended the state of isolation which had existed in our country for a long time, dealing a tremendous blow to ignorance and backwardness. We must, through spiritual civilization, pave the way for the establishment of a new economic structure. It is necessary to organize forces to carry out systematic study of important theories and policies of social development to bring into full play the role of social scientific workers as the think tank of the party and the government.

It is necessary to use the basic theory of Marxism to study our pressing needs to solve the practical problems confronting us. The comrade leaders at all levels of our party should make joint efforts with social scientific workers and comrades on the entire ideological and cultural front to create an atmosphere of unity, harmony, mutual trust, and mutual understanding. This is the foundation for the advancement of our entire cause.

While inspecting Fudan and Shanghai Jiaotong Universities, Comrade Hu Qili had discussions with representatives of the two universities' teachers and students on the ideological and political work in school and on educational reform. Comrade Hu Qili said: Don't treat college students as "kids" and don't allow them to be "nursed" in any respect. They must be guided to take care of themselves and to educate themselves. They must be taught to "stand on their own legs, exercise self-discipline, and strive for self-improvement." Scientists and scholars of the older generation and all teachers must do ideological and political work among students, support and encourage young students' creative activities, and strive to enable them to surpass teachers ideologically and professionally. Comrade Hu Qili stressed: Young students must try to understand more about reality and keep in contact with society. All intellectuals should do so. While implementing the policy on intellectuals, we must also encourage intellectuals to delve deep into reality, keep in contact with the masses, and understand society. This is of tremendous significance to the intellectuals' growth. After viewing some teaching and scientific experimentation facilities, Comrade Hu Qili fully affirmed the achievements the two universities had made in educational reform, teaching, scientific research, and cultivation of talented personnel.

At a forum with Shanghai's scientists and technicians, Comrade Hu Qili listened to their opinions and suggestions on further reforming scientific and technological development. Comrade Hu Qili said: China's scientists and technicians have tremendous creative power and potential. We must not belittle ourselves. In the past few years, we have made gratifying progress in reforming scientific and technological development. We must carefully sum up our experience, preserving what is good and discarding what is bad in order to ensure still healthier continuation of the reform. He encouraged Shanghai's scientists and technicians to blaze new trails on the basis of the achievements already made, and to make more creative efforts and progress. While inspecting the Chinese Academy of Sciences' Shanghai Institute of Optics and Fine Mechanics, Silicate Research Institute, Metallurgical Institute, and Atomic Nuclear Institute's Irradiation Base, Comrade Hu Qili congratulated these institutes on their research achievements.

During his stay in Shanghai, Comrade Hu Qili paid a visit to Ba Jin, the renowned writer, at his residence to extend best regards to this Chinese literary master. He also met three old artists, Yu Ling, Huang Zuoling, and Zhang Junxiang, and had heart-to-heart talks with them on literary creation problems at present.

While inspecting the Shanghai Petrochemical Complex, Comrade Hu Qili listened to reports on how the complex enforced the plant director responsibility system, conducted ideological and political education among staff and workers, and exercised democratic management. He said: Ideological and political work is by no means simply "I talk, you listen" or "I speak, you obey" but depends on being democratic, on convincing people by reasoning, and on liveliness and vividness. Thus, the requirements for ideological and political work are higher, and not lower, than in the past, because it is an important aspect of socialist spiritual civilization.

There should be a crack, top-quality contingent of cadres for ideological and political work and the cooperation of all workers in order to arouse the workers' enthusiasm as masters of the country.

Comrade Hu Qili also inspected the Shanghai Dazong Automobile Company Ltd. and the Shanghai Aircraft Manufacturing Company, and on 17 April made a special trip to the construction site of the Qinshan Nuclear Power Plant in Haiyan County, Zhejiang Province, to extend best regards to the selflessly laboring construction workers. Holding the hands of these workers, he said: "Comrades, many thanks! Wish you still greater contributions to the motherland."

On the evening of 19 April Hu Qili, together with Wu Xueqian, member, of the CPC Central Committee's Political Bureau, state councillor and foreign minister, who was also in Shanghai, met with leading party, government, and military comrades of Shanghai Municipality.

Rui Xingwen, secretary of the Shanghai Municipal CPC Committee, and Jiang Zemin, deputy secretary of the committee and mayor of Shanghai, separately accompanied Comrade Hu Qili on his inspection.

'FULL TEXT' OF WANG BINGQIAN NPC BUDGET REPORT

OW150300 Beijing XINHUA in English 0235 GMT 15 Apr 86

["Full Text of Report on Implementation of State Budget for 1985 and on Draft State Budget for 1986" -- XINHUA headline]

[Text] Beijing, April 15 (XINHUA) -- Following is the full text of the report on the implementation of the state budget for 1985 and on the draft state budget for 1986 delivered by Wang Bingqian, state councillor and minister of finance, at the Fourth Session of the Sixth National People's Congress on March 26 and endorsed by the congress on April 12, 1986:

Report on the Implementation of the State Budget for 1985 and the Draft State Budget for 1986 (Delivered at the Fourth Session of the Sixth National People's Congress on March 26, 1986) Wang Bingqian, State Councillor and Minister of Finance

Fellow deputies, on behalf of the State Council, I now submit for your examination a report on the implementation of the state budget for 1985 and on the draft state budget for 1986.

I. Implementation of the State Budget for 1985

Before I report on the implementation of the state budget for 1985, I shall briefly review the final state accounts for 1984. At the Third Session of the Sixth National People's Congress held in March 1985, I made a report on the implementation of the state budget for 1984. According to the final accounts worked out later, state revenues in 1984 stood at 150.186 billion yuan (including domestic receipts of 146.7 billion yuan), or 112.2 per cent of the budgeted figure. Total expenditures amounted to 154.64 billion yuan, or 113 per cent of the budgeted figure, creating a deficit of 4.454 billion yuan. Both revenues and expenditures were higher than our estimates in March 1985, and the deficit was 546 million yuan less. The situation was fairly good. To make up the deficit, local authorities contributed 1.454 billion yuan that had been accumulated over many years, and the state over drew 3 billion yuan from the People's Bank of China.

I shall now report on the implementation of the state budget for 1985. In 1985, under the leadership of the Chinese Communist Party and the people's government and in accordance with the guidelines of the Third Session of the Sixth National People's Congress, the people of all our nationalities achieved encouraging successes in production and construction and in economic reforms. With the steady, balanced growth of the national economy, both revenues and expenditures were greater than expected and achieved a balance.

According to present estimates, state revenues in 1985 totalled 185.411 billion yuan (including domestic receipts of 182.9 billion yuan), or 120.8 per cent of the budgeted figure. State expenditures amounted to 182.594 billion yuan, or 116.7 per cent of the budgeted figure. The balance showed a surplus of 2.817 billion yuan, the bulk of which came from local authorities and will be left to their discretion in accordance with state financial control regulations.

Of revenues for 1985, tax receipts amounted to 201.082 billion yuan; funds collected for construction of key energy and transport projects came to 14.273 billion yuan; receipts from state treasury bonds totalled 6.04 billion yuan; receipts from foreign loans came to 2.5 billion yuan; and receipts from other sources amounted to 9.541 billion yuan. Apart from this, subsidies for losses by enterprises and for price rises came to 48.025 billion yuan. These were deducted from the total state revenues as they had been in the previous year's budget.

For total state expenditures in 1985, the essential breakdown is as follows: budgetary appropriations for capital construction totalled 56.973 billion yuan. Funds expended to tap the potential of existing enterprises, finance their technological transformation and subsidize the trial manufacture of new products totalled 10.05 billion yuan. Aid to rural production and other operating expenses for agriculture came to 10.156 billion yuan. Operating expenses for culture, education, science and public health services totalled 31.716 billion yuan. Expenditures for national defence accounted for 19.148 billion yuan. Administrative expenses amounted to 13.296 billion yuan. And expenditures for repaying principal and interest on foreign loans totalled 3.255 billion yuan.

As the figures for 1985 show, gratifying changes have taken place in our financial situation. These were due to the fact that we increased overall control of the national economy while continuing to uphold the principles of invigorating the domestic economy, opening to the outside world and carrying out economic structural reform.

(1) The position of state finances has changed from one of small deficits to one of balance. In 1979 and 1980, deficits arose because large state appropriations were made for readjusting the national economy and for solving problems in people's daily life which had accumulated over the years. Starting in 1982, with steady improvements in the financial situation, state revenues reversed their downward trend and a basic balance was maintained for the next several years. In the state budget for 1985, a deficit of 3 billion yuan was listed owing to difficulties in balancing revenues and expenditures. Although a small deficit is not something to worry about, it is unfavourable to the stability of prices and markets and to the development of the national economy.

To eliminate the deficit and stabilize the economy in the course of implementing the budget, the state adopted a series of measures to expand production, develop financial resources, increase revenues and restrict expenditures. As a result, we achieved a balance of revenues and expenditures, when both grew considerably. This balance will help to eliminate destabilizing factors in the economy and ensure smooth progress of the economic structural reform.

(2) State revenues have entered a period of steady growth thanks to expanded production and augmented financial resources. For many years, China's revenues hovered around 100 billion yuan, with an annual increase of 5 to 6 billion. A ten billion yuan growth rate would be considered remarkable. Since 1983, state revenues have grown steadily. In 1983 and 1984, they went up by 12.7 billion and 25.5 billion yuan respectively over the previous year, and in 1985 by 36.2 billion yuan, which was 24.7 per cent more than the 1984 figure. However, it must be pointed out that this growth was attributable to some special factors, including the extra-high industrial growth rate in the first half of 1985, price rises for some commodities and increased revenues from customs duties due to increase in imported consumer goods. After allowing for these incomparable factors, revenues in 1985 still rose by about 16 per cent, which is a fairly high growth rate. Thanks to efforts made over many years, state revenues reached over 180 billion yuan, a figure that represents a new zenith as well as a new starting point for our economic growth. This indicates that our national economy is developing vigorously and that we have great possibilities for acquisition and accumulation of funds.

(3) Funds have been rationally allocated and utilized, ensuring the construction of key state projects and the development of intellectual resources. In 1985, domestic expenditures rose by 28.9 billion yuan, 19 per cent more than the 1984 figure. Of this, appropriations for capital construction went up by 9.06 billion yuan, or 20 per cent over 1984. Operating expenses for culture, education, science and public health services were 5.399 billion yuan, or 20.5 per cent, more than the previous year. The rate of increase for these areas exceeded that for total state expenditures. Further progress has been made in capital construction and an accelerated pace of construction of key projects was reported last year, with 97 large and medium-sized projects and 134 single projects completed or commissioned. Of these, energy and transport projects constituted 35 per cent of the former and 72 per cent of the latter. Because a number of energy and transport projects have been built over the past few years, and existing enterprises have been technologically transformed and revitalized, the output of coal in 1985 reached 850 billion tons; crude oil 125 million tons, and electricity 407.2 billion kwh. Also, a number of new railways and highways have been built and communications facilities installed. In the same year, rapid development was also achieved in cultural, educational, scientific, and public health undertakings. New enrolments for regular or special courses in colleges and universities totalled 619,000, an increase of 30 per cent over 1984. There was rapid growth in all types of adult higher education, new progress was made in universal primary education, and the nine-year compulsory education system was initiated. New achievements were scored in scientific research, and public health and medical facilities were improved.

Physical culture and sports, cultural work, the press, and broadcasting and television contributed to economic structural reform and to the building of a socialist civilization that is culturally and ideologically advanced.

(4) The people's living standards have improved markedly with the growth of production. In 1985, we took a major step forward in wage reform in government departments and institutions. We introduced a system under which the better part of one's wage is determined by one's job. We experimented on a number of large and medium-sized enterprises where conditions permitted with the practice of floating the total payroll according to economic performance. In most enterprises, however, we continued the basic-wage-plus-bonus system, after appropriately readjusting the wage scales of the workers and other employees. To those enterprises that have very small bonus funds and have difficulties readjusting their wage scales, the state granted appropriate subsidies. By and large, wage reform has progressed fairly smoothly. In addition, in the pricing reform last year, the state raised the retail price of pork. To ensure that this would not affect people's living standards, it allocated 3.1 billion yuan to subsidize urban residents. Over the past few years, we have adhered to the principle of first feeding the people and then building the country, striving to improve living standards on the basis of increased production. The average per capita income of urban and rural residents in 1985 rose by 10.6 per cent and 8.4 per cent respectively, after allowing for price rises. Generally speaking, the people's income level is low, and there are many problems yet to be solved in the course of economic development and reform.

(5) Through comprehensive check-up on taxation, finance and prices, initial results have been achieved in strengthening fiscal and economic discipline. Since the beginning of last year, in line with the principle of building up our country through thrift and hard work, we have stressed the need for strict control over expenditures and have adopted such measures as setting ceilings on administrative expenses, group purchases and other unproductive expenditures, with a view to curtailing expenditures. We have thus put to rights the abnormal situation which prevailed in the fourth quarter of 1984 when expenditures increased sharply and some organizations went on buying sprees. At the same time, in order to enhance financial supervision and put an end to violations of fiscal and economic discipline, a nation-wide check-up on taxation, finance and prices was launched in August last year. Leaders at all levels have attached importance to this widely publicized and highly influential check-up. Special teams were set up in the State Council and at lower levels and large numbers of personnel were sent to different areas, departments and key enterprises to do the work, while most units conducted the check-up themselves according to set procedures. Lasting over five months, the check-up was most fruitful. Many cases of violations of fiscal and economic discipline were dealt with, which not only led to an increase in revenues and contributed to balancing revenues and expenditures, but also helped improve party conduct, raise the standards of social conduct and enhance the cadres' and the masses' sense of policy and law and their understanding of the need to give first priority to the general interest.

The 1985 state budget was implemented satisfactorily. But we must nevertheless realize that there still remain quite a number of problems. On the one hand, some destabilizing factors in the economy have not been eliminated. For example, the scale of investment in fixed assets was excessive and funds for consumption were increasing too fast. Many enterprises failed to reach high standards in terms of management and technology and to improve their low economic returns fundamentally. Consequently, state enterprises suffered considerable losses in 1985. All this has directly or indirectly affected state finance, upsetting its stability and balance. There also remains quite a few problems in financial work itself such as serious cases of tax evasion and losses from wasteful expenditures. It is therefore necessary for us to strengthen fiscal control and supervision and continue to combat unhealthy practices in the economic field and violations of discipline and law. There always exists the contradiction between necessity and feasibility in budgeting revenues and expenditures. The contradiction can be felt more keenly and budgeting can become more difficult, especially when the financial situation improves and more funds become available for disposal. Therefore, the more the situation improves, the harder we should work to increase revenues and cut expenditures, instead of becoming unduly optimistic. We should keep analysing new developments and fresh experience, extending achievements and overcoming shortcomings, in order to do better in all our endeavours.

II. The Draft State Budget for 1986

Nineteen eighty-six is the first year of the Seventh Five-Year Plan. For the fulfilment of the economic and financial tasks set forth in the plan, it is of vital importance to work out a well-considered state budget for the year and carry it out. In keeping with the policies and tasks set by the Central Committee of the Chinese Communist Party in its proposal on the Seventh Five-Year Plan and with the objective needs of economic and social development, the 1986 state budget was drawn up according to the following major principles: 1) We should implement financial policies correctly and, on the basis of increased production and better economic performance, maintain the steady growth of state revenues. 2) In light of the need for consolidation, assimilation, supplementation and improvement in our economic structural reform, we should improve measures for the reform of all financial and taxation systems and continue, in a planned and selective way, to enhance the ability of enterprises to upgrade their technological progress. 3) While giving priority to controlling the overall scale of expenditure and of investment in fixed assets, we must rationalize the investment structure by making more investment in such basic industrial and infrastructural projects as energy, transport, communications and raw and semi-finished materials production, increasing the investment in agriculture, giving further support to the development of culture, education, science and public health services, continuing to raise the living standards of urban and rural people and ensuring a balance between state revenue and expenditure.

The draft state budget for 1986 I am submitting for examination and approval has the total state revenues and expenditures in balance at 214.147 billion yuan.

Of the total revenues in the 1986 state budget, domestic receipts will account for 208.647 billion yuan and foreign loans for 5.5 billion yuan. The essential breakdown for domestic receipts is as follows. Tax receipts: 205.651 billion yuan; construction funds collected for key energy and transport projects: 15 billion yuan; receipts from state treasure bonds: 6 billion yuan; and income from other sources: 9.617 billion yuan. Subsidies for anticipated losses of enterprises are 27.621 billion yuan which is already deducted from the budgetary state revenue as was the case in the previous year.

The essential breakdown for 1986 expenditures is as follows. Budgetary appropriations for capital construction: 56.78 billion yuan; funds to tap the potential of existing enterprises, finance their technological transformation and subsidize trial manufacture of new products: 6.24 billion yuan; aid to rural production and other operating expenses for culture, education, science and public health services: 35.7 billion yuan; expenditures for national defence: 20.02 billion yuan; administrative expenses: 14.375 billion yuan; expenditures for payment of principal and interest on state treasury bonds: 1.152 billion yuan; expenditures for payment of principal and interest on foreign loans: 4.1 billion yuan; and expenditures for price subsidies: 27.715 billion yuan. In addition, allocations for the general reserve fund total 3 billion yuan, of which half is at the disposal of the central authorities and half is available to local authorities.

In light of the changed economic situation and the need to reform the budget control system, when we drafted the state budget for 1986 we made some changes in the structure of state revenues and expenditures and the method by which they are listed, and we drew up certain policy measures. In this connection I would like to explain the following points:

(1) The need to change the way of listing price subsidies in the budget. As we all know, price subsidies that cover such items as grain, cotton, edible oil and other farm and side-line products as well as marketable coal and leather products made from pigskin, are provided by the state out of policy considerations. In previous years, we used to deduct these subsidies from budgetary revenues. At recent sessions, quite a number of deputies have expressed the view that these subsidies should be listed as an item of expenditure instead of being deducted from state revenues. So, the budget for this year lists them in that way. This represents a reform in our control of budgetary system. Before approving state budgets, the supreme organ of state power can now better examine the actual total of revenues and expenditures and policies for financial allocation. The people can also have a more comprehensive understanding of the state's efforts to improve their living standards and to accelerate industrial and agriculture production. Moreover, when all price subsidies are made known to the public, they can be kept under more effective control and supervision. The major price subsidies being no longer deducted from budgetary revenues but listed as an item of expenditure, the 1986 budget will show an increase of more than 20 billion yuan both in revenues and in expenditures. At the same time, when calculating 1986 state budgetary revenues, we have taken into consideration other policy measures adopted by the state.

These include reducing regulatory taxes for large and medium-sized enterprises, raising the depreciation rates for fixed assets of enterprises and reducing the volume of high-grade consumer goods to be imported. They also include factors which add to production costs while reducing income this year, such as the wage reform carried out in enterprises last year and the upgrading of welfare and material benefits for retired workers and administrative staff. Allowing for the above incomparable factors, the 1986 budgetary revenues from domestic sources are estimated to exceed the previous year's by about 8 per cent -- an increase corresponding to this year's 7.4 per cent growth rate for total industrial and agricultural output value.

(2) The need to continue issuing state treasury bonds in order to concentrate a portion of the funds now dispersed in society. It has been five years since the state began to issue treasury bonds for the purpose of concentrating funds and expediting economic development. Now that the economic situation is excellent and the financial situation has considerably improved, one may ask if it is necessary to continue issuing these bonds. In recent years, the extra-budgetary funds of various local authorities, of departments and of units have increased rapidly, and they are expected to reach 140 billion yuan or more for 1985. There have also been marked increases in the savings deposits of both city and country dwellers; last year these amounted to more than 160 billion yuan. In view of the above, the State Council has concluded, after repeated deliberations and discussions, that to issue a certain amount of state treasury bonds annually will not overtax institutions or people. The council has also concluded that it is in the national interest to do so, because concentrating funds for national construction and for other urgent needs not only will accelerate the construction of key projects and other production and construction undertakings, but will prevent money from lying idle, dispersed in many hands. No more state treasury bonds are to be issued this year than last, but the interest rate is higher. To ensure success, it is important for all local authorities and all departments to do a good job of publicity and organizing, so that institutions and individuals everywhere understand why we are issuing bonds and will be enthusiastic about purchasing them.

(3) Further reinvigorating large and medium-sized enterprises in order to enhance their ability to transform themselves technologically and expand. According to the draft 1986 state budget, the state is to appropriate 3 billion yuan this year to make up for the gradual reduction of the regulatory tax for those large and medium-sized key enterprises that are confronted with formidable tasks of transforming themselves technologically and of providing large quantities of products for export, or that make greater contributions to the state treasury but pay a higher rate of regulatory tax. This 3 billion will also serve to gradually raise the depreciation rate for fixed assets of certain enterprises. The national average depreciation rate of fixed assets for industrial enterprises used to be 4.2 per cent. After more than a year of investigation and study, the State Council last year promulgated regulations concerning the depreciation of fixed assets of state enterprises. According to these regulations, the depreciation rate will gradually be raised and a system of depreciation by category will be introduced.

It is estimated that the average depreciation rate will reach 5.5 per cent by 1990, the last year of the Seventh Five-Year Plan. Our state enterprises have switched to the substitution of tax payments for profit delivery, but some, for one reason or another, are required to pay a certain amount of regulatory tax after paying income tax at a specified rate. This portion of the regulatory tax will gradually be reduced in the light of economic development, progress in the reform of the pricing system and the needs for technological transformation of enterprises. This will stimulate competition among those enterprises operating under similar conditions, encourage those which are ahead and spur on those which lag behind. Last year, we reduced the regulating tax by 200 million yuan and we will make a further reduction of 2,000 million yuan this year. In making this year's reduction we must take into consideration what each and every enterprise actually needs to effect technological transformation; we must not simply treat all enterprises alike reducing the tax by an equal share for each. The additional profits retained by the enterprises because of such reductions should be used for technological transformation and innovation, and not for such non-productive expenses as additional welfare benefits or extra wages and bonuses.

(4) Budgetary investment in capital construction. While controlling the overall scale of capital investment, ensuring the completion of key construction projects and readjusting the investment structure, the state will allocate a total of 56.78 billion yuan for capital construction in the 1986 budget, equaling the figure of last year. Of this total, 38 billion yuan will be allocated in the form of state loans rather than of appropriations and 5.5 billion yuan in the form of foreign loans. These figures represent an increase over last year of 3.9 billion yuan and 3 billion yuan respectively. The capital investment from local reserve funds comes to 5.4 billion yuan, 7 billion yuan less than last year. The increased investment in the form of state loans is to be used mainly for the development of the infrastructure and basic industries such as energy, transport, communications and raw and semi-finished materials. Our purpose is to alleviate the acute shortages of energy, materials and transport services. It is imperative to keep the capital construction projects using local extra-budgetary funds and bank loans within the limits set by state plans for investment in fixed assets and for bank credits. Moreover, it should be reaffirmed that all extra-budgetary capital construction funds, either from local finances or from departments and enterprises, are to be handled strictly in accordance with the relevant rules and regulations set by the state. Such funds should be deposited in, and put under the supervision of, construction banks. After going into operation, the enterprises built with such funds must raise a certain amount of circulating funds themselves.

(5) The need to allocate additional funds for agriculture and for the development of underdeveloped areas. To maintain a harmonious development of industry and agriculture, as of 1986 the state will increase by appropriate amounts investment in rural capital construction and other agricultural undertakings. A portion of the increase in the income tax and industrial and commercial tax levied by the state on township enterprises will be used to speed up agricultural growth. The 1986 budgeted expenditure for aiding rural production and for other operating expenses in agriculture totals 11.79 billion yuan, an increase of 1.634 billion yuan, or 16.1 per cent over the estimated figure for last year. This represents a substantial increase.

These funds will be used mainly to improve conditions for agricultural production, disseminate agricultural science and technology, and ensure the steady growth of grain production, thus accelerating the growth of the rural commodity economy. Moreover, since 1980 in order to expedite production and construction and to help eliminate poverty and backwardness in the old revolutionary base areas, areas inhabited by minority nationalities, frontier areas and poverty-stricken areas, the state has set aside funds for aid to such areas. The annual amount has been 500 to 600 million yuan totalling more than 3.2 billion yuan by the end of last year. The budgeted figure for this year is 800 million yuan, an increase of 20.1 per cent over last year's estimated figure. The increased portion is to be used mainly to develop production in the old revolutionary base areas so that they will get rid of poverty and become prosperous as soon as possible. According to initial statistics, the state will appropriate a total of about 3 billion yuan this year to aid those four types of areas. This includes expenses for construction and other undertakings in frontier areas; for grain, cotton and cloth to be supplied to poverty-stricken areas in exchange for work; for development of the three poorest areas (Dingxi and Hexi in Gansu Province and the Xijie-Haiyuan-Guyuan sector of the Ningxia Hui Autonomous Region); and for preferential treatment to minority nationality regions. This suggests that the funds are by no means meager for one year. In accordance with the principle of solving problems step by step governments at all levels in affected areas should use these funds first of all in places where they are most needed, places where even today people do not have sufficient food and clothing, to enable them to increase production and raise their living standards through their own efforts.

(6) The need to increase allocation for culture, education, science, public health and other undertakings. The party Central Committee and the State Council place great emphasis on the development of science and technology, education and public health. During the Sixth Five-Year Plan period, operating expenses for culture, education, science and public health totalled 117.2 billion yuan. This represents an average annual growth rate of 15.2 per cent and exceeds the rates of increase for domestic revenues and expenditures, which were 11.9 per cent and 9.6 per cent respectively. Operating expenses budgeted for these areas in 1986 come to 35.7 billion yuan, a rise of 3.98 billion yuan, up 12.6 per cent over the estimated figure for last year. The growth rate is higher than that for revenues from regular items in 1986. These expenses include regular operating expenses and special funds provided by central financial departments. For instance, 50 million yuan will be used to subsidize impoverished areas in their effort to make primary school education universal, 50 million yuan to expand vocational and technical education, 46 million yuan in subsidies to improve medical services for middle-aged intellectuals, and 50 million yuan for a science foundation. Special appropriations for developing traditional Chinese medicine come to 65 million yuan as against 25 million yuan in 1985. One hundred million yuan will be allocated to fund teacher training and an extra tax for education will be levied as of 1986, providing around 1 billion yuan more for expenditure. In addition, we will improve the management system for scientific and technological research funds. In the interest of unified control, we will transfer the power to allocate funds from the central departments to the State Science and Technology Commission.

Furthermore, we should introduce a system of accepting bids for major scientific research projects, signing contracts and providing compensation for the funds. All this will help promote scientific research and make more fruitful use of funds. The development of our science, technology and education still falls short of the needs of the modernization drive, a fact we cannot afford to overlook. We should allocate more funds for the development of culture, education, science and public health, as the growth of production and steady increases in state revenues permit.

(7) The need to allocate funds for wage reform. Allocations for wage reform in government departments and institutions in 1986 come to 3.2 billion yuan. These funds will chiefly be used for the "phase-in payment" resulting from the wage reform of 1985, for solving certain outstanding problems that cropped up in the reform, and for readjusting regional wage categories. All these funds have been incorporated into relevant budget items. As for state enterprises that continue to practise the basic-wage-plus-bonus system, the additional expenditure resulting from readjustment of the wage scale can be incorporated into their production costs within the monthly amount of 7.5 yuan per capita as of January 1, 1986. If the increased expenses due to readjustment of regional wage categories are incorporated in the production costs of enterprises, the total figure exceeds 5 billion yuan. At the same time, funds for awards will increase constantly with expanded production and improved economic performance. At present our chief concern should be to correct the tendency of enterprises to vie with each other in raising wages and handing out bonuses, and to gradually harmonize the wage system of different sectors through reform. Since our production is not highly developed and the state lacks adequate financial resources, the problems that have accumulated in the wage system over many years have to be solved gradually as the economy grows. But, the growth rates of consumption funds and wages should not exceed the growth rates of national income and labour productivity. Otherwise, we will not have enough reserves for economic development, and that would be at variance with the fundamental, long-term interest of the people.

Fellow deputies, on the whole, we are optimistic that the revenue goals set in the state budget for 1986 will be reached and that expenditures will be kept under control. We therefore believe that through the concerted, hard work of all localities and departments and the people of all our nationalities, this year's budget will be successfully executed.

III. Execution of the State Budget for 1986

In order to execute the state budget for 1986, maintain balance between revenues and expenditures and carry out the economic and financial tasks set for the first year of the Seventh Five-Year Plan, we must unify our thinking, pool our wisdom and efforts and do the following:

We must do our utmost to increase production, practise economy and improve economic performance so as to achieve a steady growth in state revenues. Years of practice have shown that the key to solving financial problems is to expand production.

Especially now that we are revitalizing the economy, opening to the outside world and reforming the economic structure, we need to conserve and expand existing financial resources and to cultivate and accumulate new ones. For this purpose, we should explore new possibilities for production and, acting in accordance with state plans and policies, endeavour to expand production in every field, tourism, service trades and the socialist commodity economy, so as to add to state revenues. At the same time, we should be aware that poor product quality, high consumption of materials, slow capital turnover and long construction cycles are ubiquitous in production, construction and commodity circulation. Some production and construction units, in particular, set no store by science, pay no attention to business accounting and have no sense of responsibility at all. As a consequence, they cause damage to construction projects, turn out worthless products and let their materials deteriorate. In this way, they squander enormous amounts of money.

Everybody knows that embezzlement is a crime and would agree that embezzlement of, say, 10,000 yuan should be punished. But some people are not sure whether waste too is a crime, so they are not bothered if somebody wastes 10 million yuan. Or if they themselves are involved, they find a thousand and one excuses to justify themselves and avoid responsibility, trying first to make their mistake sound less serious, and then to reduce it to nothing at all. Therefore, it is essential to make strict demands for bettering economic performance, increasing revenues, practising economy and combating waste. And much can be accomplished here. All economic departments and units should give first priority to the improvement of economic performance and getting everybody involved in the effort to prevent losses and waste. Where heavy losses or enormous waste occur, governments at all levels and departments in charge are required to investigate the matter and deal with it sternly, holding leading members and other people concerned responsible. At the same time, in order to attain the greatest possible economic results at the lowest possible cost, all local authorities and all departments should ensure that enterprises are operated and managed more effectively, that they practise careful accounting and work hard to improve the quality of their products, and that they turn out more marketable goods, reduce costs and consumption of materials, speed up capital turnover, and shorten the construction cycles. In financial work, enterprises should pay particular attention not only to making money and accumulating funds, but to using them in the most effective way, that is, where they are needed most. Perfect control is needed and funds should be used flexibly, so that they will yield the best possible results. It is essential to adopt measures to support the technological transformation and upgrading of enterprises and to tap their potential to the fullest in order to bring about a marked improvement in production, construction, commodity circulation and in other areas. Those enterprises that are operating at a loss must do all they can to reverse that situation, and those that suffer heavy losses and cannot repay their debts through sale of their products must convert to the manufacture of other products. Financial departments and banks should refuse to provide funds for projects that were undertaken without state approval and the state will not subsidize those that are operating at a loss even if they were commissioned.

As production expands and economic performance continues to improve, taxation departments at all levels should make every effort to collect taxes due so that state budget revenue goals will be met.

We should increase and improve macroeconomic control, undertake only what is within our financial capability, keep expenditures under control and practise economy. Proceeding from the need to maintain a basic balance of overall supply and demand, we should bring the amount of expenditure and expenses on major items under the strict control of the state plan and budget and ensure that no funds are wasted. Last year, a considerable sum was invested in capital construction of state enterprises: 106.1 billion yuan, or 42.8 per cent more than the preceding year. The government sets the ceiling of investment at 95 billion yuan for 1986. If we are to achieve steady economic growth, it is crucial to keep the scale of investment to this level. Hence, both budgetary and extra-budgetary investment, both investment by central authorities and by local authorities should be restricted within that figure. Moreover, in accordance with the requirements of state plans, we should readjust the pattern of investment. We should reduce the amount for non-productive projects and the processing industries and increase that for the energy, transport and communications, raw and semi-finished materials industries. This will create conditions favourable for the smooth growth of the national economy. In recent years, consumption funds increased too fast, faster than the growth rate of the economy. Last year, total wages of workers and other employees throughout the country increased by 20.9 per cent over 1984, representing a rapid rise. In order to keep consumption funds to a reasonable rate of growth, financial departments should exercise effective control over expenditure on consumption and, in particular, they should continue to strictly control administrative expenses and institutional purchases and set ceilings for expenses in these two areas. As regards allowances for cadres who are going on trips abroad, more effective control should be exercised over the use of both foreign exchange and rmb, and overlapping study visits and other kinds of waste must be stopped. In addition, to facilitate overall balancing of funds to be allocated to different areas, the State Council has decided to exert strong control over extra-budgetary funds, to monitor the use of funds raised by various units and to institute control systems to ensure the rational use of such funds and achieve better economic returns.

In line with the requirements of consolidation, assimilation, supplementation and improvement, we must make appropriate readjustments in our economic structural reform and continue to improve our financial and taxation systems. Aside from reducing the regulatory tax on large and medium-sized enterprises, gradually raising the depreciation rate and further revitalizing large and medium-sized key enterprises and export-oriented enterprises as I have mentioned earlier, we should continue to perfect the industrial and commercial taxation systems in 1986. In light of the new developments following readjustment of the prices of some commodities, certain taxes for existing products should be raised or lowered as the case may be.

The value-added tax should be applied to a wider range of products, the rates for such taxes should be appropriately readjusted and the methods of calculation improved. Where conditions permit, taxes should be imposed on mineral resources according to the amount extracted. Regulations on land use taxes, housing taxes, and vehicle- and ship-utilization taxes should be worked out as soon as possible and promulgated for trial implementation. Reform of the financial system was carried out last year. The provinces, autonomous regions and municipalities directly under the central government should continue to define different categories of taxes, and examine and approve revenue and expenditure, the authorities at different levels each fixing its responsibilities. Cities and counties below the provincial level should improve their methods of financial control by constantly reviewing their experience. In accordance with the principle of keeping government functions separate from commune management in rural areas, townships too should gradually improve their financial control by summing up their experience in trial implementation of regulations concerning financial work at the township level. Meanwhile, the financial departments should concentrate on preparing for the reform to be carried out in the next two years. They should co-ordinate and support the reforms in the economic structure and in the management systems of science, technology, and education. In particular, they should encourage lateral economic associations of enterprises from different regions and departments by means of financial policy and financial allocations.

We must strengthen financial supervision, enforce rigorous financial discipline and work earnestly to check unhealthy tendencies. This is important to ensure that we successfully execute the state budget for 1986 and keep a balance between revenue and expenditure. It is also important for pushing forward economic structural reform and for building a socialist society that is advanced both culturally and ideologically. The campaign to improve party conduct and overcome malpractices is sweeping across the country. The central departments are taking the lead and the situation is excellent. To accomplish this task, we must mobilize the cddres and masses on all fronts throughout the nation. We must call on them to eliminate malpractices by maintaining the fine traditions of building up the country through thrift and hard work, by vigorously increasing production, practising economy, combating extravagance and waste and strengthening supervision and inspection.

Judging from the problems brought to light in the general examination of taxation, finance and prices in 1985, we can see that violations of financial and economic discipline are serious indeed. Proceeding from selfish departmentalism, some people knowingly violate the law by evading taxes, retaining a larger share of profits than they are entitled to for their own enterprises, diverting state funds to other purposes, making unauthorized decisions on tax reductions and exemptions, or raising the ceilings for funds allocated for special purposes. Others, in the name of "restructuring and revitalizing the economy," set up "corporations" and "centres" which are actually collective enterprises, diverting state-owned property, products, funds and profits for collective use, thus they appropriate state property for use by individual units and turn public property into property of those units, or into private property.

Some take advantage of their power and of the special conditions of their particular trades to seek personal gain, transferring commodities, loans, subsidies and foreign exchange to their relatives, friends and special connections who are in business. Some people wilfully raise commodity prices and service charges, impose fines and extort money from the masses in disregard of state laws and the interests of the people. Some, with exaggerated individualism, compete with each other to purchase imported cars or to replace the cars they are using with newly imported ones, and to travel abroad on all kinds of pretexts. Some go touring and give lavish dinner parties and presents on public funds, squandering state funds. In addition, a small number of people have committed serious crimes, such as embezzlement and theft, accepting and offering bribes, speculating, swindling, smuggling, trafficking in smuggled goods and selling economic information. Although only a few units and a small number of cadres have been involved in such cases, they have had a severe impact and grave consequences. They have disrupted construction, the policy of opening to the outside world and economic reform. They have had a corrosive effect on the cadres, undermined party conduct and social conduct in general and tarnished the image of the party and government among the people.

The achievement of a fundamental improvement in the state financial and economic situation is tied to the achievement of a fundamental improvement in the conduct of party members and in general standards of social conduct. Malpractices in the economic field, if allowed to spread unchecked, will not only cause still greater losses to the economy but will seriously hamper the fundamental improvement of the party conduct and of general social standards. For this reason, the State Council has decided that while strengthening the socialist legal system and regular supervisory and administrative work, we should carry out a general examination of taxation, finance and prices at proper time annually over the next few years, seeking out in particular instances of waste and extravagance. The purpose of these investigations will be to eliminate malpractices in the economic field, to have the law and discipline abided by and strictly enforced and to ensure that law-breakers are duly punished, so that the building of a socialist society with advanced material, cultural and ethical standards will progress smoothly.

Fellow deputies, matters went as expected in terms of the state budget in January and February this year. With the improvement in party conduct and in standards of social conduct and with the gradual perfection of various measures in the economic structural reform, our national economy will grow in a steadier and more balanced way this year. That will provide highly favourable conditions for the execution of the 1986 state budget. We should rely firmly on the people of all our nationalities, do a good job in all our endeavours and renounce empty talk in favour of practical work so as to achieve the successful execution of the state budget for 1986.

XINHUA CARRIES COMPULSORY EDUCATION LAW

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[Text] Beijing, 17 Apr (XINHUA) -- The Compulsory Education Law of the People's Republic of China

(Approved by the Fourth Session of the Sixth National People's Congress on 12 April 1986)

Article 1: This law has been formulated on the basis of the Constitution and the reality in China in order to develop primary education and promote the material and spiritual building of socialism.

Article 2: The state institutes a 9-year compulsory educational system. Each province, autonomous region, or municipality should decide on the steps to make the compulsory education universal according to the condition of local economic and cultural development.

Article 3: In introducing compulsory education, it is necessary to adhere to the state principles concerning education and strive to improve the quality of education in order to enable children and youngsters to develop in an allround manner, morally, intellectually, and physically, and lay the foundations for training talented builders of socialism with ideals, morality, general knowledge, and discipline, thereby improving the quality of the whole nation.

Article 4: The state, community, school, and family should ensure the right of school age children and youngsters to attend school according to law.

Article 5: Children who have reached the age of 6 should, regardless of sex, nationality, and race, attend school for the prescribed period of years. In places where conditions do not permit, compulsory education may be postponed until children have reached the age of 7.

Article 6: Schools should popularize and use Putonghua [Mandarin], which is commonly used throughout the country.

Schools that enroll mainly minority nationalities may use the spoken and written languages that are popular among minority nationalities.

Article 7: Compulsory education may be divided into two stages, elementary school education and junior middle school education. Work to popularize the latter should be started after the former becomes universal. The school system of both stages shall be worked out by State Council departments in charge of education.

Article 8: The undertaking of compulsory education is to be carried out and supervised by local governments at different levels under the leadership of the state Council.

State Council departments in charge of education should consider the needs of socialist modernization program and the condition of physical and mental development of children and youngsters in working out the teaching program, contents, and curricula and examining the textbooks for compulsory education.

Article 9: Local people's governments at various levels should set up elementary schools and junior middle schools at convenient locations so that children and youngsters can attend nearby schools.

Local people's governments at various levels should set up special schools (classes) for the blind, deaf and mute, and mentally retarded children and youngsters.

The state shall encourage enterprises, institutions, and other quarters of the community to set up various types of schools prescribed in this law in accordance with basic government requirements and under the unified supervision of local people's governments.

Urban and rural construction and development plans must include appropriate facilities for compulsory education.

Article 10: The state shall exempt the tuition of students in compulsory education.

The state shall offer stipends to students from impoverished households.

Article 11: Parents or guardians must ensure that their school age children or wards attend school on schedule for the prescribed period of years.

Parents or guardians of school age children and youngsters, who need to postpone or be exempted from attending school because of illness or other special reasons, should obtain the approval from local people's governments.

Organizations and individuals are forbidden to employ school age children and youngsters.

Article 12: The State Council and local people's governments at various levels shall be responsible for raising funds for operating expenses and capital construction of compulsory education.

The growth rate of the state financial appropriations for compulsory education should be higher than that of the regular financial revenues, and the average expenses per student enrolled in school should be increased gradually.

Local people's governments at various levels should, in accordance with the State Council regulations, levy an extra tax for education in cities and towns to be used mainly in introducing compulsory education.

The state shall subsidize economically undeveloped areas to introduce compulsory education.

The state shall encourage various social organizations and individuals to donate funds to schools.

The state shall assist areas inhabited by minority nationalities with qualified teachers and financial resources to introduce compulsory education.

Article 13: The state shall take measures to improve and develop normal education, accelerating the training of qualified teachers and systematically ensuring that all elementary school teachers have attained the level of a secondary normal school graduate or better and that all junior middle school teachers have attained the level of a normal college graduate or better.

The state shall establish a system to evaluate teachers and issue certificates to qualified teachers.

Graduates of normal schools and colleges should be engaged in educational work according to regulations. The state shall encourage teachers to devote themselves to education for a long time.

Article 14: The whole society should respect teachers. The state shall protect teachers' legitimate rights and interests, take measures to raise their social status and improve their material benefit, and commend outstanding teachers.

Teachers should dedicate themselves to the socialist educational undertaking, striving to raise their ideological consciousness and cultural and professional levels, take care of their students, and be loyal to their duty.

Article 15: Local people's governments at various levels should create the conditions to enable all school age children and youngsters to attend school. Local people's governments should criticize and educate parents and guardians of school age childrens and youngsters not attending school, except for those who are ill or have other special reasons and having the approval of local people's governments, and should take action to order the parents and guardians to send their children and wards to school.

Organizations or individuals that employ school age children and youngsters shall be criticized and ordered to stop the employment by local people's governments. Those involved in serious cases shall be given a fine or ordered to suspend business, or have their business licenses revoked.

Article 16: No organizations and individuals are allowed to seize, retain, or divert, for other purposes, funds for compulsory education; nor are they allowed to disrupt school order and seize, occupy, or destroy school grounds, buildings, and facilities.

Verbal abuses and beatings of teachers and physical punishment of students are forbidden.

Activities obstructing compulsory education in the name of religion are forbidden.

Disciplinary action or administrative punishment shall be meted out for violations of the stipulations in Section 1 and Section 2 according to the degree of seriousness; those who have caused damages should pay compensation for the losses; and those involved in serious cases that constitute a crime shall be investigated for their criminal responsibilities.

Article 17: State Council departments in charge of education shall work out detailed rules and regulations on the basis of this law, and enforce these rules and regulations after submitting them to the State Council for approval.

All provincial, autonomous regional, and municipal people's congress standing committees may formulate concrete measures for introducing compulsory education on the basis of this law and in the light of actual conditions in each locality.

Article 18: This law shall come into force on 1 July 1986.

MANAGEMENT OF WATER CONSERVANCY FUNDS VIEWED

HK171023 Beijing RENMIN RIBAO in Chinese 8 Apr 86 p 4

[Report: "The State Auditing Administration Reports on Auditing Funds for Water Conservancy Projects"]

[Excerpts] The State Auditing Administration has made a report on the basis of the results of the auditing organs at various levels in auditing the funds for water conservancy projects. The unsound practices in the use and control of the funds for water conservancy projects are a problem at present which warrants our attention. The report enumerates the main existing problems and their causes and suggests that effective efforts be made to tighten the control over and make the most of the funds for water conservancy projects.

The report of the State Auditing Administration points out: In recent years, the returns on the use of the funds for water conservancy projects have been considerably raised. They have played an important role in altering the production and living conditions in the rural areas and preventing and combating natural disasters. However, there are still numerous problems in the use and control of the funds. According to the 1984 statistics of 556 counties in 13 provinces, autonomous regions, and municipalities directly under the central government, of the funds specially earmarked for flood control, annual repairs, and small farmland irrigation works, the use of 229.46 million yuan was discovered to be problematic. The amount constituted 23.2 percent of the sum of funds totaling 970.14 million yuan which was audited. The amount of funds used in violation of financial and economic discipline was 164.25 million yuan or 16.9 percent of the audited funds.

To effectively tighten control over and make the most of the funds for the water conservancy projects, the State Auditing Administration made the following proposals in its report:

1. The departments in charge of water conservancy projects at various levels must tighten financial control, perfect financial organs, train financial personnel and accountants, and institute and perfect financial management, project acceptance, and responsibility systems.
2. It is necessary to rigorously implement the financial budget and final accounting systems and the system of drawing and allocating funds, and to strictly ban the practices of "listing financial allocations in expenditures" and "using the funds drawn for a reimbursement purpose." The supervisory role of the financial organs at the county and township levels should be strengthened. The funds allocated to the units below the county level for water conservancy use shall not be deposited in personal accounts. They should be used through township financial organs and under their supervision.
3. It is necessary to strengthen the management of the property and goods and materials of the departments in charge of water conservancy projects.

4. To raise the returns on the use of the funds, it is suggested that, together with the departments in charge of water conservancy projects, the financial departments study how to reform the control methods of the funds for water conservancy use, actively create conditions, institute a system of using funds with interest paid under which the funds which one borrows should be repaid and used as need arises, and raise the returns on the use of the funds.

5. City and county auditing bureaus should audit the departments in charge of water conservancy projects at regular intervals and encourage them to properly control and use the funds for water conservancy use.

YANG DEZHI ON COMPILATION OF MILITARY HISTORY

OW201038 Beijing XINHUA Domestic Service in Chinese 1559 GMT 19 Apr 86

[Text] Beijing, 19 Apr (XINHUA) -- The writing of the first draft of the "Contemporary China" series volumes on military affairs has already begun. A meeting on compiling the military affairs volumes was held in Beijing recently. The meeting pointed out that the compilation of those volumes is to inspire this generation and educate future generations to inherit and carry forward the fine tradition of our party and Army in a better way.

The General Staff Department and the National Defense University are in charge of compiling the military affairs volumes. Various major military units are taking part in the writing. The main contents include two parts, namely the building of our Army since the founding of the People's Republic of China and major military actions. It is estimated that they will total 1 million characters. More than 100 people have been taking part in the writing and compilation of the draft. After 2 years of hard work they have gathered more than 50 million characters in data and materials.

Yang Dezhi, chief of the General Staff, addressed today's meeting. He said: Since the founding of the People's Republic of China, our Army has made great achievements in military affairs and has accumulated abundant experience. Especially since Comrade Deng Xiaoping took charge of the Military Commission's work, he has carried forward and developed Mao Zedong military thought. He has made a series of important policy decisions on Army building in the new period. As a result, Army building is now full of vitality. The writing and compiling of the military affairs volumes of the "Contemporary China" series are to make a systematic analysis of the past course of our Army and scientific conclusions with the theoretical weapon of Marxism-Leninism-Mao Zedong thought. We should constantly improve our work and do our best to successfully write and compile this series.

JIEFANGJUN BAO ARTICLE ON STRICT MANAGEMENT

OW181105 Beijing Domestic Service in Mandarin 2230 GMT 17 Apr 86

[Text] JIEFANGJUN BAO on 18 April carries on its front page a commentator's article on strict Army management.

The article points out: Strict training and management are a basic requirement which the PLA must meet in consolidating and increasing its fighting capabilities and a basic factor affecting all aspects of military life.

The article stresses: Army cadres must be first in strictly running the Army. The key to strict Army management is to have cadres set an example with their own conduct.

RULES ON EMPLOYMENT BY FOREIGNERS ISSUED

HK210532 Beijing CHINA DAILY in English 21 Apr 86 p 3

[By staff reporter Wu Jingshu]

[Text] Chinese people and organizations wishing to work for foreigners in Beijing will have to abide by a new set of employment rules, the municipal government announced yesterday.

These rules, which "go into effect immediately," are aimed primarily at "guaranteeing the security of foreign persons and properties in this city, at a time when the number of foreign agencies and residents here continues to increase," a spokesman of the Beijing Municipal Government's Foreign Affairs office told CHINA DAILY yesterday.

The rules cover those working with diplomats, foreign journalists, companies and United Nations' personnel. They do not affect those foreigners known as "foreign experts".

The rules stipulate that all Chinese organizations or individuals who seek to work for or get business from foreign, Hong Kong-Macao or overseas Chinese agencies or individuals living in Beijing should first register for an introduction from the relevant government department. According to the rules:

-- Those who seek employment or business, such as building or repair work, from foreign diplomatic or, individuals stationed in Beijing, must first register with the Beijing Foreign Diplomatic Services Bureau and apply for an official introduction to the foreign agency or individual;

-- Those looking for employment or offering services of foreign, Hong Kong-Macao or overseas Chinese businesses, other economic agencies or individuals stationed in Beijing Municipal Foreign Enterprise Services Corporation.

-- Those wishing to do translation, interpretation or publication work for foreign agencies or individuals stationed in Beijing, must get an introduction from the China Foreign Translation and Publishing Corporation, the Shijie Zhishi (World Knowledge) Publishing Agency or the International Cultural Publishing Corporation.

-- All those who have been employed through the Beijing Municipal Foreign Enterprise Services Corporation should register themselves with the Beijing Administration of Industry and Commerce within 10 days after signing contracts with employers, and then register themselves again with the Beijing Public Security Bureau's Foreign Entry and Exit Department.

All those who have been employed or have received work from foreign agencies or individuals in Beijing before the rules were announced, should fulfill the introduction and registration procedures "retrospectively" before May 20, according to the spokesman of Beijing Municipal Foreign Affairs Office.

Violations of these rules will be inspected and punished by the Beijing Public Security Bureau and the Administration of Industry and Commerce, the spokesman added.

GUANGDONG EXPERIENCES 1ST QUARTER EXPORT BOOM

HK211239 Beijing ZHONGGUO XINWEN SHE in Chinese 1521 GMT 15 Apr 86

[Text] Guangzhou, 15 Apr (ZHONGGUO XINWEN SHE) -- At a press conference at the spring commodities fair today, Vice Governor of Guangdong Yu Fei revealed that Guangdong's total volume of export trade for the first 3 months of this year increased about 50 percent compared with the corresponding period of last year, an increase higher than the average national increase. This is an achievement rarely seen in recent years.

In analyzing the factors behind the appearance of such an encouraging situation, Yu Fei said that the most important factor is tightened control over "parallel goods," with the elimination of a number of "briefcase companies" involved with exports and not included in the plans. Another factor is that thanks to early action, the authorities concerned had formulated plans by the end of last year and made early arrangements.

Yu Fei said that the readjustment of selling prices in domestic and foreign trade is also an important factor responsible for increased exports. An increased profit margin for enterprises producing export products has stimulated their enthusiasm in increasing exports. In addition, as long as they are suited for the international market and quoted at acceptable prices, 169 categories of commodities subject to the issuance of permits by Guangdong are allowed to be exported. Guangdong issued a total of 9,000 permits for goods in these categories in the past year, and 8,000 in the first quarter of this year.

Since the beginning of this year, relevant departments in Guangdong have sent five groups to Shenzhen, Zhuhai, Zhanjiang, Shantou and Hainan Island respectively to work in these places issuing permits. This means increased efficiency, facilitating foreign businessmen. Yu Fei thinks that the boom in Guangdong's export trade for the first quarter of this year will last.

GUANGXI MEETING ON RECTIFICATION, IDEOLOGICAL WORK

HK200443 Nanning Guangxi Regional Service in Mandarin 1100 GMT 19 Apr 86

[Excerpts] A regional conference on grassroots party rectification and on ideological and political work concluded in Nanning yesterday.

Wei Chunshu, deputy secretary of the regional CPC Committee, presided at the meeting yesterday. Chen Huiguang, Secretary of the regional CPC Committee, and deputy secretaries Jin Baosheng and Tao Aiying made important speeches.

Comrade Chen Huiguang reviewed the importance of ideological and political work and outlined arrangements for rural grassroots party rectification. He said: Rural party members in Guangxi account for 68.8 percent of the region's party members. We must fully understand the importance of rural party rectification work and strengthen leadership over it. In accordance with the regional CPC Committee's arrangements, rural party rectification is being unfolded throughout the region following the completion of spring plowing and sowing.

Chen Huiguang said: In rural party rectification, we must focus on solving two key problems: 1) We must build the rural party branches into strong fortresses; and 2) we must closely integrate party rectification with the current rural reforms and production development. Party rectification should spur reform and economic development, while the results of reform and economic development should be applied to test party rectification.

Comrade Jin Baosheng spoke on a number of questions in strengthening ideological and political work. He demanded that all the party committees and leaders at all levels have their own liaison points. They should guide the overall effort through the experiences gained at these points. Comrade Tao Aiying called on leaders at all levels to currently pay attention to agricultural production, planned parenthood, and the improvement of land management.

HUBEI ISSUES CIRCULAR ON ZHAO'S 5-YEAR PLAN REPORT

HK190936 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 16 Apr 86

[Excerpts] The general offices of the Hubei Provincial CPC Committee and of the Hubei Provincial People's Government issued a circular on 15 April, demanding that CPC committees and governments at all levels throughout the province seriously organize the cadres and the masses to study Premier Zhao Ziyang's report on the Seventh 5-Year Plan.

The circular points out: The report on the Seventh 5-Year Plan made by Zhao Ziyang, premier of the State Council, at the Fourth Session of the Sixth NPC is an important document which guides our country's economic construction and social development for the new socialist period. To assist in studying and implementing the spirit of the report, after study by the provincial CPC Committee and provincial government, the following circular has been drawn up:

1. It is necessary to fully understand and study the important significance Premier Zhao Ziyang's report on the Seventh 5-Year Plan. Seriously studying and completely implementing the spirit of the report is of important guiding significance for boosting the development of our province's socialist cause, successfully realizing the Seventh 5-Year Plan and the great target put forward by the 12th party congress, and striving to place all items of socialist construction in our province at the forefront of development. Seriously organizing the party members, the cadres, and the masses to study Premier Zhao Ziyang's report well is an important task for party organizations and people's governments at all levels throughout the province.
2. On the basis of completely studying the report, we must grasp the focal point and profoundly understand the spirit and essence of the report. Through study and in connection with realities, we must seriously sum up the historical experience of our own areas, departments, and units and persist in putting the focus of our work on socialist modernization. We must understand the basic tasks and main principles of construction of the Seventh 5-Year Plan. We must fully understand the importance and necessity of continuously and systematically reforming the economic structure and conscientiously putting reform above everything else so that all our reforms and construction can promote each other and develop in a coordinated way.
3. It is essential to adhere to the principle of linking theory with practice. Party and government organs at all levels must integrate study with straightening out party style and government style, seriously improve their work method and work style, eliminate bad bureaucratic habits, and wholeheartedly serve the people. In the places and units where party rectification is carried out, we must regard the report as the basis of study in party rectification and further correct the guiding ideology of all aspects of work. All places, departments, and units must link the study and implementation of the spirit of the report with the implementation of spirit of the provincial CPC Committee's work conference and with the arrangements made by the provincial conferences on economic, planning, agricultural, scientific, and educational work.

4. CPC committees and people's governments at all levels must strengthen leadership over study. Their principal responsible comrades must take the lead in study and personally grasp study. In particular, leading cadres at and above the county level must study it. Newspapers, journals, radio, and television departments must publicize the study of the report well and promptly report the experiences of party members, cadres, and the masses in studying the report and in the method of work to push the intensive development of study.

HUBEI PARTY SECRETARY INSPECTS JIANGHAN OILFIELD

HK210426 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 17 Apr 86

[Excerpts] After conducting an investigation of the Jianghan oilfield from 8 to 11 April, provincial CPC Committee Secretary Guan Guangfu pointed out that the CPC Committee of the oilfield has made a breakthrough in exploring a new way of doing ideological and political work in the new situation, resulting in marked improvement in party style in the oilfield. They are not creatively exploiting and building the oilfield, making great contributions to the country and the province. The close combination of the building of socialist material and spiritual civilization has provided valuable experiences. He pointed out that the practice of the oilfield indicates that it is possible for enterprises in some areas to bring about a basic turn for the better in party style in advance of others and to build the two civilizations in a coordinated way.

During his 4-day investigation, Comrade Guan Guangfu and his party inspected grassroots units and held investigation meetings in the daytime. In the evenings they watched videotapes about political and ideological work in the oilfield and the deeds of (Xiong Yuanqi), an outstanding political work cadre, and discussed reports on the building of the two civilizations in the oilfield.

Accompanying Comrade Guan Guangfu were Comrade Li Haizhong, and responsible comrades of the general office and propaganda department of the provincial CPC Committee. (Wen Guanghui), secretary of the CPC Committee of the oilfield, gave a report on the situation in the oilfield.

Since the 3d Plenary Session of the 11th CPC Central Committee, the Jianghan oilfield has carried out overall consolidation and reform in a coordinated way. The oilfield has now been built into an oil base which includes prospecting, exploitation, machine-building, oil refining, scientific research, design, education, training, and daily life services. What is gratifying is that in the new situation of carrying out reform, opening up to the outside world, and enlivening the domestic economy, the Jianghan oilfield has explored a new way for building the two civilizations, and found some laws in this respect.

Comrade Guan Guangfu fully affirmed what the oilfield has done, and summarized their experiences as correctly handling several relationships.

1. Regarding ideological understanding and work arrangements, attention should always be paid to correctly handling the relationship between the building of material civilization and that of spiritual civilization, so that the two can closely combine and promote each other. The principle of building the two civilizations simultaneously should be applied to grassroots and specific work.

2. Correctly handle the relationship between correcting party style and improving the general mood of society.

3. In carrying out ideological and political work, attention should be paid to correctly handling the relationship between adherence to principles and flexibility of methods, so as to apply the spirit of our party's principle to various specific tasks.

4. Under the premise of getting to the root of problems, it is necessary to correctly handle the relationship between general and systematic theoretical study on the one hand and day-to-day ideological and political work for individuals on the other.

5. Correctly handle the relationship between reason and feelings. While convincing others by reason, it is also necessary to move others by feelings, so that reason and feelings can be closely combined.

6. Correctly handle the relationship between setting strict political demands on people and showing concern for their daily life. Efforts should be made to help staff and workers overcome their difficulties and remove their worries.

7. Correctly handle the relationship between upholding justice and driving out evil. Both positive and negative examples should be used to conduct vivid education for staff and workers so as to make clear the rights and wrongs and give proper rewards and punishments.

After his investigation, Comrade Guan Guangfu highly praised them for resisting malpractices and not following unhealthy trends. He said that their firm stand in face of malpractices is an important indication and concrete reflection of marked improvement of party style in the oilfield. He praised the CPC Committee of the oilfield for its good example in correcting party style. He expressed the hope that some areas and large enterprises would take the lead in bringing about a basic turn for the better in party style, score on achievement after another, and bring about a basic turn for the better in party style in the whole province. He pointed out that the meter and instrument factory of the oilfield has basically improved party style in advance of other units and has thus set a good example.

In the course of his investigation, Comrade Guan Guangfu particularly pointed out that in correcting party style, on the one hand, we must curb and correct several malpractices which have appeared in recent years. On the other hand, we must adhere to the notion of seeking truth from facts. We must work creatively in accordance with the spirit of central instructions, proceed from reality in everything, and implement the policies and principles of the party. All these must be placed in an important position in correcting party style.

During his investigation, Comrade Guan Guangfu visited the exhibition of the deeds of (Xiong Yuanqi's) wife, and held a discussion meeting with staff and workers of the meter and instrument factory on how to learn from (Xiong Yuanqi). He pointed out that the emergence of (Xiong Yuanqi) as an outstanding political work cadre in the oilfield is due to nurturing by Marxism-Leninism and the party's policies since the 3d Plenary Session of the 11th CPC Central Committee and to the good climate and environment of the oilfield where party style has been pure and political work has been carried out properly.

He believed that the drive for giving much publicity to and learning from (Xiong Yuanqi) will result in a bumper harvest of spiritual and material wealth.

BELJING HOLDS MEETING TO COMMEND TELEPLAY GROUP

SK210620 Beijing BEIJING RIBAO in Chinese 13 Apr 86 p 1

[Excerpts] Yesterday afternoon, the Beijing Municipal CPC Committee and the municipal People's Government held a meeting to commend a teleplay group of the Beijing television art center which has produced a play entitled "Four Generations." Based on Mr Lao She's novel "Four Generations," the Beijing television art center had revised and produced a teleplay series of the same name as the novel, which was warmly acclaimed by the broad masses of viewers and all social circles in China after it was put on television. All viewers held that this play is an outstanding work imbued with a patriotic spirit, rich national style, and the local characteristics of Beijing, which has contributed to developing China's television art undertakings.

Attending the commendation meeting were Li Ximing, secretary of the municipal CPC Committee; Xie Wenqing, vice minister of the Ministry of Radio and Television; Xu Weicheng, deputy secretary of the municipal CPC Committee; and Chen Haosu, vice mayor. The meeting was presided over by Wang Lixing, Standing Committee member of the municipal CPC Committee and director of the Propaganda Department.

BELJING MILITARY REGION IMPROVES PARTY CONDUCT

OW201434 Beijing XINHUA Domestic Service in Chinese 1435 GMT 19 Apr 86

[By reporters Liu Huinian and Zhao Su]

[Excerpts] Beijing, 19 Apr (XINHUA) -- Party committees must attach importance to and leading cadres should take initiative in grasping the work of improving party conduct in order to achieve solid results in straightening out the party's workstyle. This is the basic experience pointed out by Comrade Qin Jiwei, commander of the Beijing Military Region, when he summarized the work of improving party conduct at a meeting of secretaries of party committees at corps level of the military region.

The Central Military Commission demanded that the Beijing Military Region take lead in fundamentally improving party conduct. In the past several months, party committees at various levels of the military region have grasped the work of improving party conduct in a solid manner and have achieved significant results. To further promote the work, the military region held a meeting of secretaries of party committees at the corps level from 15 to 18 April. The meeting commended typical units and individuals with good party conduct, introduced the new situation of various units as a result of grasping the work of improving party conduct, and seriously summed up the experience in grasping the work of improving party conduct. Through recalling the previous situation and summing up their experience, the comrades participating in the meeting realized that their solid achievements in improving party conduct during the preceding period were basically due to the following reasons:

1. The principal leading cadres stood at the forefront and personally grasped the work.
2. The leading cadres had the courage to tackle difficult problems and were not afraid of displeasing people. In the past several months, the military region has resolutely corrected such problems as senior leaders' exchanging their old cars for high-class sedans, occupying additional motor vehicles and having extra orderlies; stopped a number of leading comrades from building houses in excess of the established standard; corrected the erroneous practice of recruiting local athletes; and handled several cases which could not be solved for many years.

3. The leading cadres took firm action in correcting problems and did their work carefully.

4. The leading cadres combined education with the work of improving party conduct.

BELJING SCORES ACHIEVEMENTS IN TRAINING CADRES

SK220445 Beijing BELJING RIBAO in Chinese 10 Apr 86 p 1

[Text] As of now, the municipality has more than 100,000 in-service cadres formally trained or being trained at higher educational institutions and secondary specialized schools. Of these cadres, 32,000 persons have received graduation certificates. "The 100,000-contingent of trained personnel will exert important and active influence on upgrading the quality of cadres throughout the municipality." This was the main content of the report happily made by the responsible comrade of the Organizational Department under the municipal CPC Committee with regard to cadre training at the municipal work conference which concluded on 8 April.

The municipality has spent 3 years implementing the 8-year plan for training cadres and basically fulfilled the target set by the municipal CPC Committee for the first 3 years.

During the past 3 years, the municipality has achieved vigorous development in the work of training cadres while launching the drive of conducting reforms and indeed scored gratifying achievements in this regard. During the 1983-85 period, the municipality trained more than 60,000 personnel at higher educational institutions and specialized colleges; of them, 20,000 persons received graduation certificates. In addition, the municipality trained 40,000 in-service cadres at secondary specialized schools and senior middle schools and the number of cadres each year who have attended the short-term rotation training classes reached 200,000 persons. The program of training cadres also involved 10 departments and 98 specialized courses.

The channels of training cadres have also been greatly increased. At present, the municipality has had 42 party schools, 5 colleges of personnel affairs management, 37 staff member and worker universities, 1 radio broadcasting university, 1 television broadcasting specialized college, 116 staff member and worker secondary specialized schools, 15 peasant scientific and technological schools, and 13 higher educational institutions that have often offered specialized courses for training cadres. Thus, the municipality has fundamentally changed the backward situation in the past in which "in-service cadres had no way to take more advanced study courses and often incurred difficulties in further studies".

While achieving great development in the work of training cadres, the municipality has also incurred some shortcomings. Therefore, while stressing the training work to be fixed in orientations and to be upgraded in quality, the work conference pointed out that "the erroneous practice of operating schools as a means of making money, collecting various kinds of tuition fees, and setting forth excessively high standards should be resolutely corrected."

When discussing the demand for the training work for the next 5 years, the work conference stressed that it is imperative to organize the training work in line with the actual situation prevailing among the cadres on various fronts by aiming at certain problems and to refrain from "seeking uniformity" in the work. Efforts should be made to enable the training courses to be closely integrated with the working necessity.

At the work conference, Comrade Jin Jian, deputy secretary of the municipal CPC Committee, delivered a speech in which he stressed: The key to pushing every work forward lies in upgrading the quality of cadres. This is a great project that is closely related to the whole situation and has strategic significance.

The party committees and the personnel affairs departments at all levels should regard the work of enhancing education among the cadres and upgrading the quality of cadres as an important task that need not be further delayed they should do a good job in grasping the work in a down-to-earth manner.

NEI MONGGOL CPC COMMITTEE RELAYS NPC GUIDELINES

SK210446 Hohhot Nei Monggol Regional Service in Mandarin 2300 GMT 20 Apr 86

[Excerpts] On the afternoon of 19 April, the regional CPC Committee held a meeting of party-member leading cadres of regional organs at and above the department and bureau level to relay the guidelines of the Fourth Session of the Sixth NPC and to work out plans for the regional organs to further study, publicize, and implement the NPC guidelines.

Batubagen, NPC deputy, deputy secretary of the regional CPC Committee, and chairman of the regional People's Congress Standing Committee, and Zhou Rongchang, member of the regional CPC Committee Standing Committee and director of the Organizational Department, relayed the guidelines of the Fourth Session of the Sixth NPC, the speeches of the central leading comrades, and the relevant reports.

Tian Congming, deputy secretary of the regional CPC Committee, presided over the meeting. He gave a speech at the end of the meeting, in which he said: Since the convocation of the Fourth Session of the Sixth NPC, the various units of the regional organs and the broad masses of people have studied the important documents and guidelines of the NPC session through various kinds of activities and have begun to implement them in line with the reality. Today, we have relayed the guidelines in line with the arrangements of the regional CPC Committee Standing Committee meeting, which will help up deepen our study and implementation of the NPC guidelines and documents.

The meeting stressed that while studying the guidelines of the Fourth Session of the Sixth NPC, we should also implement them in line with our actual situations. At present, we should conscientiously make preparations for and concentrate our energies on the convocation of the fourth session of the Sixth Regional People's Congress in late April. The purpose of holding this congress session is to make the NPC guidelines a definite goal of our region. Therefore, it will be a very important meeting of our region. The party organizations of the various units of the regional organs and the party's responsible cadres should work conscientiously and fulfill their duties in order to make the congress session successful. Furthermore, we should also seize the opportune moment to make the current economic construction, economic structural reform, rectification of party style, and other fields of work successful. In the first quarter of this year, the region's situation was generally good. The region's industrial output value increased 8.87 percent over the same period of last year and financial revenues increased some 30 percent. If some specific factors are excluded, the increase was 15.9 percent greater than the figure for the corresponding period of last year. The trend of development in the agricultural and animal husbandry sectors was also good. However, we should not slacken our efforts, because this is a very important season for developing agriculture and animal husbandry. We should pay attention to making careful arrangements and grasping them meticulously.

In conclusion, Tian Congming said: We are convinced that through studying and implementing the guidelines of the Fourth Session of the Sixth NPC, we will make new progress in all fields of work in the region, and will deepen our study and further enhance our understanding of the theories of building socialism with Chinese characteristics.

GANSU LEADER ADDRESSES POLITICAL, LEGAL MEETING

HK200323 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 19 Apr 86

[Excerpts] From 14 to 19 April, the political and legal commission of the provincial CPC Committee held a provincial political and legal work conference in Lanzhou to convey the spirit of the national conference and study and arrange this year's work. The meeting stressed that it is essential to vigorously increase the building of the socialist legal system, continue to wage the struggle to crack down on serious economic and other crime, solve public order problems in a comprehensive way, and achieve a steady turn for the better in this respect.

The meeting stressed that it is necessary to continue to launch the struggle to crack down on people who commit serious crimes. In light of the province's realities, the meeting decided to provide appropriate guidance according to the different circumstances. The focal areas of the crackdown this year are Lanzhou, Tianshui, Jinchang, Xiayuguan, and Baiyin cities, and also Wuwei, Jiuquan, and Yumen cities, along with areas along the railroads. We should focus on curbing larceny, robbery, gun theft, murder, and other violent crimes; on catching criminals on the run; and on correcting ugly phenomena in society.

The meeting held that outstanding successes have been scored in cracking down on serious economic crimes in Gansu. However, the remaining problem is lack of firm action and measures. In connection with certain shocking cases, the comrades attending the meeting analyzed the new situations, problems, and characteristics of economic crimes. They demanded that the party committees and government at all levels fully understand the complex and arduous work involved in cracking down on serious economic crimes. The arrogance of economic criminals should be deflated within about 1 year.

The provincial CPC committee attached great importance to this meeting. Li Ziqi, Lu Kejian, and Wang Zhanchang made speeches. Hou Zongbin and Liu Shu attended.

Comrade Li Ziqi said: Comrade Deng Xiaoping's important speech on grasping construction with one hand and the legal system with the other specifically pointed out the party's fundamental task in the new period. The party committees at all levels must seriously study this speech and profoundly appreciate its spirit.

Li Ziqi stressed: The party committees at all levels, and especially the leading cadres, must strengthen their concept of the legal system, spontaneously accept the supervision of the masses and the constraints of party discipline and the law, and cultivate a democratic work style and the habit of acting according to the law. They must also teach their relatives, sons, and daughters to observe discipline and law.

QINGHAI'S YIN KESHENG ATTENDS CPPCC OPENING SESSION

HK220133 Xining Qinghai Provincial Service in Mandarin 2330 GMT 21 Apr 86

[Excerpts] The fourth session of the fifth Qinghai provincial CPPCC opened in Xining on 21 April. Leading comrades of the party, government, and army in the province including Yin Kesheng, Song Ruxiang, and Huanjuecailang attended the opening.

SHAANXI'S BAI JINIAN RECOMMENDS PLAYS TO CADRES

HK211404 Xian SHAANXI RIBAO in Chinese 4 Apr 86 p 1

[Report: "Provincial Party Committee Secretary Bai Jinian Recommends Three Plays to Cadres Throughout the Province"]

[Text] At the recent provincial conferences on judicial work, discipline inspection work, and the work of implementing the intellectual policies, as well as in a speech about the work of handling people's complaint letters, provincial CPC Committee Secretary Bai Jinian repeatedly recommended three art works to all cadres in this province. They are the stage play "the Moon in Mid-Month," and the TV dramas "The Hut in Fencheng" and "A New Star."

Bai Jinian said: When watching these plays, I linked myself with the plays plots to conduct introspection. I hope that all cadres, especially leading cadres, will watch these three plays and draw good lessons from them. After seeing them, we should consider some questions: As our party has held the ruling position in our country for more than 30 years and our cadres are leading a rather comfortable life, do we still remember the interests of the people and our fundamental task of serving the people wholeheartedly? Do we still remember that our power is entrusted by the people and that we must only use our power for the people's benefit?

Comrade Bai Jinian pointed out: The first requirement for our comrades engaged in judicial work, handling letters, policy implementation, and all other activities is to love the people and to do our work by cherishing this feeling. There are still various problems among some of our leading organs and cadres. These problems are not only reflected in the economic irregularities of taking graft, giving and taking bribes, and indulging in extravagance and waste. But they are also reflected in the bad style of bureaucratism, which has appeared because we have forgotten our duty to serve the people wholeheartedly and to take good care of the people's well-being and because we have stood aloof from the masses. That is the root cause of all corrupt phenomena, and that in itself is the most dangerous corruption. Our present efforts to straighten out party style and office work style must really solve this problem.

XINJIANG'S SONG HANLIANG ATTENDS GRASS-SOWING RITE

HK210436 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 17 Apr 86

[Excerpts] This morning, leading comrades of the regional party, government, and army, the regional CPPCC Committee, and Xinjiang Production and Construction corps and some organ cadres went to a grassland center in Urumqi County to take part in grass-sowing.

Today was the third day of the second regional grass-sowing week. At 1100, leading comrades, including Song Hanliang, Wang Enmao, Tomur Dawamat, Janabil, Amudong Niyazi, Zhang Sixue, Shi Geng, Ismail Yashengnuofu, and Tang Guangcai, went to the grassland center. Three leaders, Song Hanliang, Wang Enmao, and Tomur Dawamat, worked side by side, sowing seeds.

During the rest time at noon, Comrade Wang Enmao asked comrades of the grassland center how the forage grass sown last year was growing. When the comrades of the grassland center told him that there was a very good harvest of the grass sown last year, Comrade Wang Enmao smiled. Standing by his side, Comrade Tomur Dawamat said: Grass-sowing is of important significance for developing Xinjiang. In greening Xinjiang, it is necessary to put grass-sowing above everything else.

MING PAO CITES HU YAOBANG'S REMARKS ON INTELLECTUALS

HK220045 Hong Kong MING PAO in Chinese 18 Apr 86 p 5

[Special dispatch from Shanghai: "Hu Yaobang on Intellectuals' Political Orientation in Zhejiang"]

[Text] Recently, when talking about the issue of cultivating intellectuals, Hu Yaobang, general secretary of the CPC Central Committee, pointed out that at present, "intellectuals still should be required to maintain a firm and correct political orientation and a hard-working style. This was mentioned too little in the past. Too much attention was paid to the diplomas of the intellectuals."

According to a report by ZHIZHI RENSHI XINXI BAO [ORGANIZATION and PERSONNEL AFFAIRS], Hu Yaobang talked about cultivating intellectuals in his recent inspection visit to Zhejiang Province. He said: "When drafting the decision on reforming the educational system, I proposed that something be added to the end of the document. It seems that we still have to require people to 'maintain a firm and correct political orientation' and to 'cherish a hard-working style.' Now this has been changed into a 'work style of closely linking oneself with the realities and the masses'.

Hu Yaobang said: The weak point of intellectuals is caused by their environment. They only live in various schools, from primary schools to secondary schools and then at universities and postgraduate colleges. Their school life prevents them from realizing the strength of the masses. So their weak point is not inborn but is caused by their limited experience. They know the importance of knowledge, but they only worship some famous scholars and do not see the role of the masses.

Hu Yaobang said such famous statesmen as Roosevelt, Churchill, and Mao Zedong themselves were intellectuals, but they all tempered themselves at the grass-roots level. Roosevelt and Churchill served in the Navy when they were young. Then, Hu Yaobang criticized the present university graduates who refuse to go to grass-roots units and go among the masses but just want to enter various brain trusts. He said: "on the issue of how to treat intellectuals, we should draw a lesson from the past experience, and should not use the methods of putting a bad label on them or bludgeoning them. However, our party has not soundly solved the issue of cultivating intellectuals properly."

Hu Yaobang said: In the past 64 years since the founding of the CPC, the party's policy toward intellectuals can be divided into five stages. In the first stage between 1921 and 1928, the party did not look down on intellectuals, because almost all the party activists who were disseminating Marxism, such as Chen Duxiu, Li Dachao, Mao Zedong, Qu Qiubai, and Fang Zhimin, were intellectuals.

In the second stage, between 1928 and 1935, or before the Zunyi conference, the party did not properly draw a lesson from the failure of the revolution but simply blamed the intellectuals. The party recruited many workers, including such people as Xiang Zhongfa and Gu Shunzhang, and kicked out many intellectuals. Zhang Guotao himself was an intellectual, but he took the lead in killing and excluding other intellectual comrades and indiscriminately promoting worker cadres.

The third stage spanned 20 years from 1936 to 1956, in which the party recruited a large number of intellectuals and cherished this force.

It also advocated that "intellectuals should learn from workers and peasants, and workers and peasants should learn from intellectuals." At the same time, intellectuals were required to "maintain a firm and correct political orientation, a hardworking style, and flexible strategy and tactics."

After 1946, maybe Mao Zedong thought that the issue of intellectuals had been solved, and he did not emphasize the role of intellectuals any more. In the last 10 years of the third stage, few documents mentioned the issue of intellectuals. Then came the event in 1957 and many intellectuals were named rightists.

The 20 years between 1957 and 1977 constituted the fourth stage, in which serious mistakes were committed. Intellectuals were excluded and many of them were called "rightists," "the ninth stinking category," or "reactionary academic authorities." Mao Zedong himself also changed from respecting intellectuals to despising intellectuals. Only after the downfall of the "gang of four," did the party begin to restore the correct attitude toward intellectuals. However, we have not talked enough about a firm and correct political orientation and a hardworking style.

ZHENG TUOBIN INTERVIEWED ON FOREIGN TRADE

HK110853 Hong Kong WEN WEI PO in Chinese 2 Apr 86 p 3

[*"Dispatch" from Beijing By WEN WEI PO reporters' group: "Zheng Tuobin, Minister of Foreign Economic Relations and Trade, on This Year's Foreign Trade and Other Issues"*]

[Text] Beijing, 1 Apr -- Zheng Tuobin, minister of foreign economic relations and trade, answered Hong Kong and Macao reporters' questions today. The questions and answers are as follows:

[Reporter] What are China's circumstances regarding the use and earning of foreign exchange this year, particularly the effects of the oil price slump?

Oil Price Fall Incurs Heavy Foreign Exchange Loss

[Zheng Tuobin] A matter of the utmost concern to all people is the foreign exchange question, particularly the question of whether or not China will have a foreign exchange problem following the fall in oil prices and of how it will make up for the shortfall. Since oil prices began fluctuating last year, there has been no change in the confused oil market. Undoubtedly, it will bring losses to China's foreign exchange income. We shall lose a little more than \$200 million for every dollar the price of a barrel of crude oil falls. Now that the crude oil price has fallen by more than \$10, we shall lose about \$2 billion.

Export Growth Will Still Be Very Fast

We have also studied this question. Although oil has caused us losses, China's exports are still expected to grow this year. The principal reason is that China's industrial and agricultural production has grown rapidly over the past few years. Agriculture has developed rapidly. The rate of industrial production was also very high last year. For this reason, we have a fairly sound material foundation in exports. In addition to increased production, the policy of opening up carried out in the past few years has enabled the old regions to transform themselves. They have made great technological advances and have great potential in developing production. Not only can the newly-built industrial enterprises supply export commodities but also the town and township enterprises, which have developed rapidly in the past few years, have become a force in exports and have provided many export commodities.

Therefore, judging from the reports coming in from various localities, although the price of oil has fallen and although the prices for cotton and coal are not good, our exports as a whole will continue to grow. Naturally, the growth rate will surely be affected by oil. If it had not been for the oil effect, the growth of our exports would have been very fast. Nevertheless, we still have registered an increase and, by 20 March, the growth rate was 17 percent.

[Reporter] Commodity prices have risen in China recently. Will this affect the export commodity prices?

Rising Commodity Prices Will Not Affect Exports

[Zheng] There have been some price fluctuations in China. But this will not greatly affect export prices. China's export commodity prices are set according to international market prices and we try as hard as possible to sell our goods at better prices. Naturally, there are the problems of parallel goods and competition among ourselves. However, our general principle and our principal aspect are to try our best to sell our commodities at higher prices and not at lower prices. For this reason, we set our prices according to the market trends. Our export commodity prices for the Hong Kong market are primarily affected by the international market and not by the rising or falling of prices on the domestic market.

Judging from recent selling prices, the international market looks optimistic and prices are rising. Prices have risen at the Jiangsu and Shanghai fairs, the small-scale Hong Kong fair held by the textiles corporation, and the small-scale Jiangsu fair held by the textiles corporation, and the small-scale Jiangsu fair held by the silk corporation. We also hope to sell our goods at higher prices. At the forthcoming Guangzhou Export Commodity Fair we hope the prices will be up. With the exception of a few commodities whose prices will fall slightly, the prices as a whole will firm.

[Reporter] The external world has always held that losses in China's foreign trade have been caused by export subsidies. Will you please explain this?

Losses Have Not Been Caused by Export Subsidies

[Zheng] We should have a basic concept on the question of losses incurred in foreign trade. We have indeed suffered losses in foreign trade but our losses are not due to exports. We have also suffered losses because the international market and the domestic market have two price systems. Taken as a whole, however, we have not suffered losses in exports in recent years. Nor is there a question of export subsidies. For a certain time in the past, when the exchange rate was so irrational that 1.5 yuan could be exchanged for \$1, there were some export subsidies. However, with the gradual rationalization of the exchange rate between the renminbi and the U.S. dollar and the gradual solution of the question of the overvalued renminbi, we no longer suffer losses in exports.

The Principal Cause Lies in Import Subsidies

Our losses have been primarily caused by import subsidies. We import goods for the purpose of ensuring market supplies, principally for industrial and agricultural production and the needs of the urban population in their daily life. We not only subsidize import commodities but also grain and many other products. This is our policy. The import subsidies are concentrated on steel products. We import them at international market prices but we supply them to the industrial production departments in the country at government prices. If we adjusted the prices of steel products, production costs would be affected. We also subsidize timber, chemical fertilizers, and, more importantly, grain.

The price of grain supplied to urban residents has remained unchanged because of our subsidies. Therefore, our losses have been caused by import subsidies and, generally speaking, the question of subsidies does not exist in exports.

Taken as a Whole, We Still Make a Profit in Foreign Trade

However, taken as a whole, we still make profit in foreign trade, including imports. Even if we include customs duties and various other taxes, we still make a profit in foreign trade. You seem to think that the larger the foreign trade volume, the heavier the state losses, but this is not the case. The development of foreign trade has ensured domestic production and market needs. Even if we include customs duties, we still provide the state with revenues. It was so in the past and it is still so today.

[Reporter] Will you please explain China's position on the Multifiber Agreement. [MFA] talks?

The Textiles Trade Must Be Liberalized

[Zheng] We are very much concerned about the MFA. We hold that it is an accommodation and a compromise agreement reached by various countries through negotiations even though it is not in keeping with free trade. For this reason, we should strive for the gradual liberalization of the textiles trade. However, some countries are not only against liberalization but are also imposing more restrictions. Therefore, the textiles talks and the MFA talks are a very strenuous task. We support the stand taken by the developing countries in the textiles talks and we do this with the aim of gradually reducing restrictions and achieving liberalization.

[Reporter] What are the effects of unhealthy practices on foreign trade work? How are you going to overcome them?

[Zheng] Generally speaking, the effects of unhealthy practices on foreign trade work do not constitute the principal aspect but we should not underestimate this question either. Unhealthy practices also have a considerable influence in foreign trade work, particularly in foreign exchange. Some people fail to observe the stipulations on foreign exchange controls. They engage in illicit foreign exchange remittances and transactions and even buy and sell foreign currencies at a profit on the black market. This unhealthy practice is the most important aspect affecting foreign trade. For this reason, we have adopted strict control measures in this respect. The situation has greatly improved this year. In addition to this, there is also the question of parallel goods on the Hong Kong market. We have adopted strict administrative control measures, the most important of which is the system of quota plus export license. Since the implementation of this system, the impact of parallel goods on the Hong Kong and Macao markets has been lessened. Because of this and because of price rises, our exports increased by a big margin. This has played a very important role in stabilizing supplies to the Hong Kong market. We have derived benefits from opposing the unhealthy practices. However, unhealthy practices still exist. The impact of parallel goods, particularly in medicinal materials, on the Hong Kong Market is still fairly strong. Therefore, we should still adopt corresponding measures.

Some People Have Falsified Export Licenses

Moreover, we have imposed stricter restrictions on personnel going abroad. There are also unhealthy practices among personnel going abroad. We deal with them as soon as we discover them.

We are now investigating and dealing with the problems of those who went abroad unnecessarily, who tried to go abroad by employing unjustifiable means, and who sought private gains through unjustifiable means. We are holding a meeting on rectifying party work style in the economic and trade departments, at which we shall formulate a series of measures to rectify unhealthy practices. There are also people who falsify export licenses. As soon as we discover people engaging in this unhealthy practice, we immediately rescind their rights to conduct foreign trade.

[Reporter] A situation has emerged in the country whereby it is better to sell goods on the domestic market than on the foreign market and it is better for the producers themselves to sell their goods than to sell them through government channels. Will this greatly affect foreign trade?

The Prices of Export Goods Will Be Fixed According to Their Prices on the Domestic Market

[Zheng] This problem occurred only last year. The cause lay in price rises and increased demands in the domestic market. Although prices were raised on the domestic market, the prices of export commodities were not adjusted. The export commodities were still sold at planned prices. For this reason, these prices were lower than those on the domestic market. We shall solve this problem this year and fix the prices of our export goods according to their prices on the domestic market. If we make profits in foreign trade, we shall give some more [as published] in order to solve this problem, but this has nothing to do with subsidies.

[Reporter] China releases trade statistics from the customs and the foreign trade department. Will these systems be combined into one?

The Two Kinds of Statistics Existed Long Ago

[Zheng] We have two sets of statistics now: One set is business statistics from the department of Foreign Economic Relations and Trade and the other is the statistics from Customs. I read some Hong Kong newspaper reports to the effect that the statistics from the Ministry of Foreign Economic Relations and Trade are political ones and the statistics from Customs are the practical ones. The argument that the Ministry of Foreign Economic Relations and Trade releases statistics out of political considerations is wrong. This is because we have had the two kinds of statistics since the early period of the founding of the PRC. At that time, the Ministry of Trade of the central government and the General Administration of Customs dealt with the statistics separately. After the General Administration of Customs was incorporated into the Ministry of Foreign Economic Relations and Trade, we still had two kinds of statistics. For several years during the Cultural Revolution the Customs statistics were abolished because people considered the two kinds of statistics were superfluous. A few years later, however, people thought it would not do to abolish the Customs statistics and so the statistics were restored in the last stage of the Cultural Revolution.

Having Their Own Needs, the Two Kinds of Statistics Will Continue

Why do we adopt two kinds of statistics? This is inseparable from the nature of our socialist planned economy. We have to draw up plans every year and plans should be drawn up on the basis of actual import and export figures. We cannot draw up plans according to import and export figures released by Customs but should base our plans on the business statistical figures. In the past 1 or 2 years, there have been some people who believe it is necessary to abolish the business figures and retain the Customs figures.

After discussions, we hold that abolishing the business figures would not meet our needs in economic planning. For this reason, the business statistics will continue. In my view, the two kinds of statistics will continue in the near term.

[Reporter] What measures or plans do your three departments have for the training of capable persons?

[Zheng] Since opening up to the outside world, we have been aware that our greatest problem is that we lack people to engage in foreign economic relations and trade work and that our people do not have great professional competence. For this reason, it is necessary to reform our educational structure and to strengthen the training of cadres engaged in foreign economic relations and trade work. Now, we have 5 institutions of higher education and 17 secondary vocational schools specializing in foreign economic relations and trade. Many other universities also have foreign trade departments. We chiefly rely on the above-mentioned schools to train our personnel. We have trained more than 13,000 people since the founding of the PRC. They have become the backbone force in the nation's foreign economic relations and trade work. On the one hand, we should increase our investment in order to improve the facilities of our schools. On the other hand, we should increase the number of teachers. We should also vigorously cooperate with foreign countries, as well as the Hong Kong and Macao region. Some time ago, I met with the leaders of Macao University. They are ready to cooperate with our Institute of Foreign Economic Relations and Trade. This afternoon I shall also sign an agreement with the Italian Government on aiding our University of Foreign Economic Relations and Trade.

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